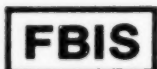


JPRS 79620

9 December 1981

# Near East/North Africa Report

No. 2450



FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

9 December 1981

## NEAR EAST/NORTH AFRICA REPORT

No. 2450

## CONTENTS

## INTERNATIONAL AFFAIRS

Israeli Report on Problem at Cairo Exhibition (ITIM, 9 Nov 81).....	1
Briefs	
French See Positive Elements in PLO	2

## INTER-ARAB AFFAIRS

ALF Leader on Egypt, Brezhnev Initiative (AL-RA'Y AL-'AMM, 22 Nov 81).....	3
Abu-Mazin Discusses Fahd Plan, Saudi-USSR Relations (Sulayman Nimr; AL-MUSTAQBAL, 21 Nov 81).....	5
Various Aspects of Western Sahara War Reviewed (al-Salami al-Husni; AL-DUSTUR, 26 Oct 81).....	9
Various Aspects of Arab Banking Examined (8 DAYS, 14 Nov 81).....	14
Various New Arab Aid Programs for Tunisia Described (AL-MUSTAQBAL, 10 Oct 81).....	37
PLO Paper Views Alternatives to Settlement (Voice of Palestine, 25 Nov 81).....	42
Baghdad Daily Accuses Egypt, Syria of Treason (INA, 20 Nov 81).....	44
Briefs	
Iraq Pumping Oil to Lebanese	45
Iraqi-Lebanese Oil Ministers Discussions	45
Saudi Loan to PLO	45

## OPEC AFFAIRS

OPEC's Yamani for Progress in North-South Dialogue (DIE PRESSE, 25 Nov 81) .....	46
---	----

### Briefs

OPEC Discusses Price Strategy .....	47
-------------------------------------	----

## AFGHANISTAN

Journalist Visits Ghazni, Meets Resistance Group (Jean Bertolino; LE MONDE, 30 Sep, 1 Oct 81) .....	48
--	----

## EGYPT

Public Prosecutor Discusses Investigation of Sectarian Disturbances (Salah al-Rashidi Interview; AL-AHRAM, 23 Sep 81) .....	55
--	----

New Statistics Offered on Population, Workforce (Husayn Tawfiq; AL-AKHBAR, 26 Sep 81) .....	61
--	----

Detainees To Have Visits During Religious, National Holiday (AL-AHRAM, 5 Oct 81) .....	63
---	----

Airport, Aviation Security Measures (Muhammad Zayid; AL-AHRAM, 16 Oct 81) .....	65
--	----

Religious Disturbances in Asyut Discussed (AL-AKHBAR, 13 Oct 81) .....	67
---	----

Heavy Fines for Misdemeanors To Be Instituted (THE EGYPTIAN GAZETTE, 19 Nov 81) .....	71
--	----

Brief Biographies of New Ministers, Governors Given (AL-AHRAM, 22 Sep 81) .....	72
--	----

## IRAN

Former Colleague Bitterly Denounces Khomeyni (8 DAYS, 14 Nov 81) .....	77
---	----

Southern Fisheries Planning To Rent Foreign Ships (Hoseyn Amir-Mo'ayyed Interview; KAYHAN AIRMAIL EDITION, 4 Nov 81) .....	79
--	----

### Briefs

Trade With Pakistan .....	80
---------------------------	----

## IRAQ

Deputy Minister of Petroleum Interviewed (Abdul Mussim Samarraï Interview; L'USINE NOUVELLE, 29 Oct 81) .....	81
---	----



Iraqi-Liberian Press Statement Issued 13 November (Voice of the Masses, 13 Nov 81).....	85
Islamic Action Organization Declares Hunger Strike (AL-SHAHID, 20 May 81).....	86
Opposition, Struggle Against Saddam's Regime Continues (Abu Layth; AL-SHAHID, 20 May 81).....	91
Baghdad Roundup on Iranian POW Messages (Editorial Report).....	93
Briefs	
Ahvaz Arab Front Addresses Ministers	95
Italy, Iraq Economic Cooperation	95

#### ISRAEL

Begin Discusses Knesset Tactics (Yisra'el Tomer, Gid'on Reicher; YEDI'OT AHARONOT, 10 Nov 81).....	96
Begin Reportedly Does Not Trust His Cabinet (Uzi Benziman; HA'ARETZ, 9 Nov 81).....	97
Peres on Alignment-Likud Cooperation (Shim'on Peres Interview; Jerusalem Domestic Television Service, 6 Nov 81).....	99
'MA'ARIV's' Harif on Israeli-U.S. Relations (MA'ARIV, 6 Nov 81).....	101
'HA'ARETZ' on U.S.-Israeli Strategic Cooperation (Yo'el Marcus; HA'ARETZ, 4 Nov 81).....	107
Israeli Poll Shows Public Favoring Rabin Over Peres (HA'ARETZ, 10 Nov 81).....	110
Poll Shows Israelis Feel Better Off Economically (HA'ARETZ, 12 Nov 81).....	111
Treasury Requesting Supplementary Budget (JERUSALEM POST, 24 Nov 81).....	112
Hebron's Dudin Discusses Attitude Toward PLO (David Richardson; JERUSALEM POST, 27 Nov 81).....	113
Cost of Negev Airfields Far Above Estimates (El'azar Levin; HA'ARETZ, 12 Nov 81).....	116
Expanded Use of Airbase Approved (Joshua Brilliant; JERUSALEM POST, 27 Nov 81).....	117

Briefs		
Trans-Samaria Road Dedicated		118
Jordanian Mosque Funds		118
Jewish Golan Population Increased		118
Immigration From USSR		118
JORDAN		
Treatment of Palestinians Described		
(AL-FAJR, 23-29 Oct 81) .....		119
Improved Medical Care Sought		
(8 DAYS, 7 Nov 81) .....		122
Solar-Powered Desalination Project Discussed		
(KHALEEJ TIMES SUPPLEMENT, 27 Oct 81) .....		124
KUWAIT		
Kuwaiti Paper on U.S. Policy, Fahd Plan		
(KUNA, 21 Nov 81) .....		125
Information Ministry Warns 'AL-TALI'AH' for Damaging Articles		
(AL-TALI'AH, 21, 28 Oct 81) .....		127
Text of Ministry Warning		
Text of 'Assembly Article		
Text of Commentary		
Briefs		
Publication Suspended for 30 Days		130
LEBANON		
Briefs		
Saudi, Qatari Financial Aid		131
MOROCCO		
Energy Consumption, Production Outlooks Reviewed		
(EUROPE OUTREMER, Jun 81) .....		132
PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN		
Briefs		
Warning Against European Sinai Force		135
SAUDI ARABIA		
Saudi UN Delegate Denies Statement to 'NEW YORK TIMES'		
(Mustafa Idris; 'UKAZ, 18 Nov 81) .....		136

Domestic Press Comments on Recent Events in Region (AL-MADINAH, various dates).....	137
American Relations With Egypt, by Muhammad 'Ali al-Jifri	
Latest News From Egypt, by Muhammad 'Ali al-Barr	
Outlook for Next Summit	
American Attitudes on Egypt, by 'Adnan Kamil	
Saudi Newspapers Denounce Iranian Regime (SPA, 22 Nov 81).....	146
Arab Aides Cited on Foreign Ministers Meeting (AL-SHARQ AL-AWSAT, 25 Nov 81).....	147
Briefs	
King's Message From al-Asad	148
AWACS Return to U.S. Denied	148
Soviet Arms Via Saudi Arabia	148
TUNISIA	
Election Results Assessed; Opposition Claims Fraud (8 DAYS, 14 Nov 81).....	149
Industrial Decentralization Encouraged (8 DAYS, 14 Nov 81).....	151

## INTERNATIONAL AFFAIRS

### ISRAELI REPORT ON PROBLEM AT CAIRO EXHIBITION

TA091337 Tel Aviv ITIM in Hebrew 1110 GMT 9 Nov 81

[Text] Tel Aviv, 9 Nov--An official complaint about the refusal of Egyptian newspapers to publish Israeli announcements in the course of a Cairo fair was submitted at the time of the fair by the management of the Israeli pavilion to the Israeli Embassy in Cairo. The latter transferred the complaint to the Egyptian foreign ministry. However, even after the intervention of the Israeli ambassador to Cairo, Mr Moshe Sason, with high-level representatives of the Egyptian government no reason was given for this.

Upon his return to Israel from the exhibition, the manager of the Israeli pavilion, Mr Moshe Neyar, said the publication that refused to publish Israeli ads, despite orders and requests a few months earlier, were AL-AHRAM, AKHBAR AL-YAWM and OCTOBER.

Mr Neyar further noted that the Egyptian Minister of State for Economy, Dr Sulayman Nur al-Din, refrained from entering the Israeli pavilion and passed it by during his tour of the fair. Dr Sulayman explained to the manager of the Israeli pavilion that he would come to the Israeli pavilion for a special visit but he never did so.

Nevertheless, several high-level Egyptian personages, including the Egyptian industry and mineral resources minister and the Tourism and Civil Aviation Minister, Mr 'Ali Kamal al-Nazir did visit the Israeli pavilion. They were greatly impressed by the Israeli exhibits which spread over 700 square meters.

From the economic point of view the manager of the pavilion concluded that about 60 of the Israeli participants in the exhibition were satisfied, thanks to forming ties with local agents, receiving orders and being able to leave a permanent exhibition in Egypt. Some of the participants even sold their exhibits on the spot. The Egyptian visitors included 1,500 buyers in addition to the public, including engineers and students.

Mr Neyar estimates that orders received during the exhibition amounted to several hundred thousand dollars. His estimate is based on procurement agreements signed by Egyptian buyers and Israeli exhibitors.

The export institute, which organized the Israeli pavilion, conducted an on-the-spot survey and distributed among the Israeli exhibitors lists of potential buyers. Thus deep contact with local trade elements was possible. Efforts were also made to form ties with members of the Cairo chamber of commerce who were guests of the Israeli pavilion and expressed the wish to maintain regular commercial ties.

## INTERNATIONAL AFFAIRS

### BRIEFS

FRENCH SEE POSITIVE ELEMENTS IN PLO--The French ruling party believes there are positive elements in the PLO that can give rise to the hope that the Middle East conflict would be resolved. The person in charge of the French Socialist Party's international relations department told our correspondent in Paris that the PLO has already been given a status similar, at least, to the status his party will soon grant some African liberation movements. He noted that the Palestinians need a state, but must first recognize Israel's right to exist. [Text] [TA052115 Jerusalem Domestic Service in Hebrew 2100 GMT 5 Nov 81]

CSO: 4423/42

INTER-ARAB AFFAIRS

ALF LEADER ON EGYPT, BREZHNEV INITIATIVE

GF231652 Kuwait AL-RA'Y AL-'AMM in Arabic 22 Nov 81 p 17

["Text" of exclusive interview by 'Abd al-Rahim Ahmad, PLO Executive Committee member and secretary general of the Arab Liberation Front granted to AL-RA'Y AL-'AMM correspondent Khalid Salam in Beirut--no date given]

[Excerpt] [Question] Did the Palestinian command study the post-al-Sadat era at its executive committee meeting?

[Answer] Yes, it studied it initially and quickly because the command has only held one short meeting since al-Sadat's death due to the lack of time. During that meeting the command decided that the post-al-Sadat era will be very risky despite all positive points in al-Sadat's assassination. These risks are manifested in the possibility of enemy aggression to perpetuate the de facto situation and prevent any possible jolt, of which al-Sadat's [assassination] constituted the beginning, in my view, the command studied all dimensions of the situation in the light of which we have to proceed.

[Question] Including the possibility of inviting Egypt's Mubarak to the Arab summit and back to Arab ranks?

[Answer] For us, the subject is out of question because the trouble with the Egyptian regime is not confined to al-Sadat as an individual but with Egypt's policy. After al-Sadat's successor, Mubarak, announced the willingness to continue the same policy, we do not see any essential change in the regime's stand.

However, we do not rule out that some Arab regime might make some moves in an attempt to control the situation and bring Mubarak to the Arab summit under the claim that the problem was with al-Sadat and ended with his disappearance. We do not share that view either as Palestinians or as the executive committee. Our stand on this issue is clear and this issue has already been settled.

[Question] Has the PLO therefore transferred two issues or two initiatives to the forthcoming summit--the two initiatives of Brezhnev, as Abu 'Ammar said in Moscow, and of Fahd?



[Answer] As a front, we have a clear stand on Brezhnev's initiative. This stand was announced by the Palestinian national assembly. We judged his initiative the same way as we judge any initiative. Brezhnev's initiative did not treat the Palestinian cause in its historical dimensions. So far, no initiative has been put forward that treats the cause with these dimensions. Rather, all treatments have been geographical, if we take international calculations and interests into consideration. Initiatives may differ in intentions, but in the end, for us they are the same.

CSO: 4404/131



## INTER-ARAB AFFAIRS

### ABU-MAZIN DISCUSSES FAHD PLAN, SAUDI-USSR RELATIONS

JN241005 Paris AL-MUSTAQBAL in Arabic 21 Nov 81 pp 34-35

[Dispatch by Sulayman Nimr]

[Excerpts] Riyadh--When Mahmud 'Abass (Abu Mazin), member of the PLO Executive Committee, visited the Saudi capital last Saturday and Sunday [14 and 15 November], political observers said the purpose of his visit to Riyadh was to resume discussions with Saudi officials on the Palestinian attitude toward the Saudi peace plan. But other observers said the visit was linked with the reports that the PLO was mediating between Moscow and Riyadh. These observers reached such conclusions from the premise that Abu Mazin is head of the Arab-Soviet Friendship Society and he also accompanied Yasir 'Arafat on his last visit to Moscow.

When AL-MUSTAQBAL met with the Palestinian official, its first question to him was "Has Abu Mazin indeed come to Riyadh for the purpose of mediating between Riyadh and Moscow on the establishment of diplomatic relations between the two countries?"

Abu Mazin did not deny or confirm the matter, although he stressed that his visit was not for the purpose of discussing the Saudi plan with officials in Riyadh. He said: "We in the PLO are keen on seeing an exchange of diplomatic relations between a sister state like Saudi Arabia and a friendly state like the USSR. The Saudi crown prince and his foreign minister previously announced that the USSR has an important role to play in the Middle East question. Moscow welcomed this announcement, which was considered a courtship between the two capitals that could lead to a dialogue between them. We in the PLO hope that we will be able to develop this dialogue into an exchange of diplomatic relations between Moscow and Riyadh.

I asked Abu Mazin:

[Question] It is said that the PLO has not yet announced its clear position on the Prince Fahd peace plan. While PLO leader Yasir 'Arafat has welcomed the Saudi plan, seven Palestinian leaders have said that they have observations or reservations on some of the points in the plan. What is the PLO's position or possible position on the Saudi peace plan?

[Answer] PLO leader Yasir 'Arafat has repeatedly welcomed the Saudi peace plan and said that it is a suitable basis for a just and comprehensive solution in the region. This is the true PLO position, although the organization has observations on some

of the points in the plan. These observations were made by Yasir 'Arafat in his talks with Saudi officials during his last visit to Riyadh and will also be raised during the Arab summit. As for the organizations that have announced their rejection of the plan, each one has rejected it from its own viewpoint and from a specific angle. We believe that total rejection for the sake of rejection is irresponsible. If you want to know the true PLO position, then it is the one announced by Yasir 'Arafat.

[Question] Do you think political circumstances in the region will change after Israel's withdrawal from Sinai in April? Do you expect this to happen, and what would the circumstances be?

[Answer] Let us be frank. You mean the end of the Camp David accords. Let me tell you that the Camp David accords have two parts; one Egyptian and one Palestinian. The Egyptian part will be accomplished. The new Egyptian regime will not go back on the Camp David accords, but will be less enthusiastic about continuing the talks of autonomy. The reason is Palestinian rejection of the autonomy idea and the fact that Egypt will not be as keen on continuing the negotiations with Israel after retrieving its own territory. This will create a political vacuum in the region which must be filled.

[Question] You speak about a political vacuum in the region after April. But don't you think that the Prince Fahd peace plan could fill this vacuum; in other words, it could be the basis for political activity in the region?

[Answer] If the Prince Fahd plan is approved by the Arabs at least, it would become an Arab peace plan. Then the world would not have an excuse to say that the Arabs are vague in their stands and do not clearly say what they want. Arab approval of the Prince Fahd plan would place the United States in a very embarrassing situation, because its real intentions about peace in the region would be put to a difficult test. I will not be disclosing a secret when I say that the United States hopes for the Arabs to reject the Saudi peace plan so that it would not be placed in an embarrassing situation before the world and its friends in the region.

[Question] Do you believe that the coming Arab summit will succeed in achieving again a minimum agreement of Arab solidarity?

[Answer] This will be difficult. The reason is that the Fes summit is taking place in circumstances which are similar to those in which the Amman summit was held, with the exception that none of the Arab states will boycott the Fes summit as in the case of the Amman summit, which was boycotted by six Arab states. Bilateral Arab differences are still strong. What should have taken place was that these differences should have been solved before convening the summit so that they would not have an impact on the summit resolutions and the achievement of minimum agreement on Arab solidarity.

[Question] What will be your position in the Arab summit as Palestinians?

[Answer] We will demand that the Arabs achieve a minimum agreement of Arab solidarity. We will request complete support for the Palestine question, suspension of interference in the affairs of the Palestinian revolution and material, rather than propaganda, support for the sweeping uprising in the occupied territory these days. Our demands will be many, but I can sum them up as the necessity to prepare ourselves for a confrontation with the Israeli enemy.

[Question] What will be the PLO position if the subject of Egypt is brought up at the Arab summit?

[Answer] We are against the return to the Arab fold of the Egyptian regime under present conditions, because the reasons which led to its existence still exist. The Arabs boycotted the former Egyptian regime because it signed and implemented the Camp David accords. The present Egyptian regime has declared that it is still committed to the accords. Therefore the reasons have not changed. There is nothing new to enable us to see the possibility of the Egyptian regime's return to the Arab world.

[Question] Do you believe that the Arabs have shifted from a state of war with Israel to one of peaceful coexistence?

[Answer] There is in practice no war between the Arabs and Israel. Egypt has departed from the confrontation battle, and the other Arab fronts are silent. Thus, there is a truce between the Arabs and Israel. In other words, there is neither a state of war nor peaceful coexistence. This truce might last for a long time as after 1948 or might be shortened based on Arab circumstances.

[Question] Why this Palestinian concern and endeavor to bring about a U.S. recognition of the PLO?

[Answer] We believe that U.S. recognition of the Palestinian people's full rights is very important. The United States can bring pressure to bear on Israel. We are keen on obtaining Washington's recognition without any conditions. There have been on various occasions many unofficial Palestinian-U.S. contacts. During the Lebanese war, we saved 150 U.S. families. They acknowledged and expressed their thanks to us via their friends. We are keen on having the U.S. recognize the PLO without any conditions because the United States is a big power. We are interested in obtaining U.S. recognition just as we are interested in obtaining the recognition of the entire world. What kind of a revolution is that which is not keen on having world recognition? The objectives of our political struggle since 1965 have been summed up in the need to have the world recognize us as a people. We started with the Arab world, then with the United Nations and the nonaligned countries. Then we moved toward Europe because we want the entire world and not only the United States to recognize us.

[Question] It has been observed that there is stronger Palestinian support for the Saudi peace plan inside the occupied Arab territories than outside these territories. How do you explain that?

[Answer] The Palestinian stand inside the occupied territories is no different from that outside. The Palestinians inside the occupied territories believe in the legitimacy which represents them, the PLO, and in the PLO's symbol, Yasir 'Arafat. Yasir 'Arafat has stated that the [Saudi] initiative can serve as a basis for a solution. The Palestinians inside the occupied territories have said the same thing but with more explanation. Had Yasir 'Arafat not welcomed the Saudi plan, the West Bank and Gaza mayors would not have welcomed it.

[Question] During Yasir 'Arafat's recent visit to Moscow, you discussed, among other topics, the Soviet Jews' emigration to Israel. Did the Soviets give you any promises to stop this emigration?

[Answer] This subject has been raised with the Arab countries and with other countries such as the Soviet Union because it concerns us very much. We have for some time been holding a calm dialogue with Moscow on this subject. We are not concerned over the Jews' emigration from the Soviet Union to any place, but we are concerned over the arrival of the Jews in occupied Palestine. During our recent visit, we obtained promises from the Soviet Union to the effect that there will be a reduction in the number of Jews emigrating to occupied Palestine.

CSO: 4404/131

VARIOUS ASPECTS OF WESTERN SAHARA WAR REVIEWED

London AL-DUSTUR in Arabic No 205, 26 Oct 81 pp 18-21

[Article by al-Salami al-Husni: "Has the Algerian-Moroccan War Started?"]

[Text] The Polisario attack of 13 October on the town of Guelta Zemmur in the middle of the Western Sahara, using modern weapons, has put a limit to the hopes the summit conference meeting of the Organization of African Unity had raised that a peaceful, negotiated resolution of the Western Sahara issue would be reached. King Hassan the Second declared, immediately after the attack on the town, that what had happened constituted a violation of the cease fire and consequently of the Organization of African Unity resolutions, and that he found himself compelled to regain his freedom of movement and military confrontation.

The attack on Guelta Zemmur -- following the cease fire that had lasted a number of months after King Hassan the Second declared his agreement to the holding of a referendum in the Western Sahara under the supervision of international organizations, and after preparations had started for holding this referendum and solving the problem that were hanging or that had arisen from the issue through negotiation - raises a number of questions bearing on the destiny of the region and Algerian-Moroccan relations, just as it answers them. The motives and the background for Polisario's attack on Guelta Zemmur do not seem innocent or remote from the factors that now govern domestic conditions in Algeria, as well as internal conditions in the Polisario front and the front's position on the referendum. There is no doubt that the choice of Guelta Zemmur, which was exposed to a similar attack last April, was made with the objective of concealing this background and giving strategic dimensions to this process. As this town lies on the border of Mauritania (which is about 40 kilometers away) and is far from the Moroccan-Algerian borders, the purpose was to keep Algeria, which had closed its borders with Morocco through a military buildup, from being accused [of the attack].

In addition, Guelta Zemmur lies between the provinces of El Aiun to the north and Tiris El Gharbia and Dakhla to the south and is also on the main road linking Nouakchott to Zouirat in the Western Desert. Before the Organization of African Unity resolutions and King Hassan the Second's declaration on the referendum plan, Polisario had aimed, by attacking Guelta Zemmur, to take it over, use it as a springboard to the west, to the Pacific, and therefore cut the Sahara in two and isolate the Moroccan forces in Tiris El Gharbia, surround them, and cut off aid to them. This sort of military plan is well known in desert war, but Polisario always failed to achieve this goal and one cannot rule out the possibility that it had hoped to carry out this military plan



through this new attack not to inflict a military defeat on the Moroccan forces this time but to surround them and impose negotiations with Morocco, which has been rejected by the Moroccan king, who considers that the issue of the Western Sahara is a Moroccan-Algerian one and involves other parties, none of which, however, is the Polisario front.

In the past, though, the front performed its military operations under the aegis of Algerian approval and Mauritanian indifference, while today it launched the attack on Guelta Zemmur at a time when the Algerian army was stationed on the borders with Morocco, specifically to prevent such operations, in order to carry out President Chadli Bendjadid's commitment to the African unity summit resolutions for a peaceful negotiated solution, which included a cease fire. This Algerian commitment was in practice represented by the closing of the borders, or at least surveillance over them, to prevent any incursions by Polisario forces through these borders. King Hassan the Second also managed, on his return from Nairobi, to obtain a Mauritanian commitment similar to the Algerian one through a meeting Hassan the Second held with the president of Mauritania, Ould Haidalla, in al-Ta'if. In addition to this, Algeria, after the Nairobi summit, closed the road along the Algerian-Libyan border, known as the Polisario Road, through which the front is supplied with arms. From the practical standpoint, all of these measures constitute actual guarantees for a cease fire which Polisario had wanted to reach through direct negotiations with Morocco. What happened in the recent period to change these guarantees, or the Algerian and Mauritanian position, so that Polisario could circumvent everything and attack Guelta Zemmur, as it did recently, with the modern arms it possesses, with which it brought down two Moroccan airplanes, in addition to the armored cars and heavy weapons it used for the first time, according to information in the Moroccan statement? In any event, one cannot find the answer on the Moroccan side because whatever the situation might be it is not in Morocco's interests to go back to war in the Western Sahara in its current domestic condition, because that would mean, on King Hassan the Second's part, giving in to the desire of the Socialist Federation of Popular Powers, which rejects the referendum. Likewise, it is not possible to seek an answer from the Mauritanian party, for two reasons -- the special experience of Mauritania, which has lost a great deal from the war, and the instability and constant threats it has brought to the Nouakchott government, which was the first to seek peace because it was the first to benefit from it, and second the fact that the Mauritanian authorities do not actually control the broad areas lying north of Zouirat, a mountainous region extending from Tindouf in Algeria to Bu Craa near the town of Guelta Zemmur, so that consequently the military divisions belonging to the Polisario front can easily move from Tindouf to Guelta Zemmur without facing or skirmishing with Mauritanian units or even risking discovery by the weak Mauritanian military authorities, as well as enjoying tribal relations with the tribes in northern Mauritania, in the case of a number of Polisario elements.

Therefore the real reasons and background to this military attack must lie in Algerian domestic conditions and what is going on inside Polisario.

Since the Algerian president, Chadli Bendjadid, began liquidating the power centers and resolving internal disputes in order to build his own era, the basic phenomenon distinguishing the internal Algerian situation has been the accumulation of problems that date back to Boumediene's corrective movement and perhaps even to independence, and the transformation of the country, since Boumediene's death, into a number of small countries and the fragmentation of the decision making centers. President Chadli Bendjadid's efforts and movements since he assumed power have all been aimed just

at restoring the single decision making that he represents in his capacity as the actual president. Before the beginning of summer of this year, the liquidations were marginal and did not include such basic elements as Bouteflika, Yehyaoui or other competing leaders -- rather, it was in the past few months that Bendjadid proceeded with the necessary step, which was to liquidate these leaders and remove them from decision making positions. It was anticipated that Bendjadid would appoint a new prime minister and shuffle the cabinet; however, numerous difficulties that had not been anticipated arose from the removal of the leaders competing with him, and that caused him to delay the next step, although he did try recently to eliminate these problems through a radical change in the Algerian media, once he had discovered that these media were dominated by his adversaries. Thus Chedli Bendjadid has so far "cleaned up" most of the economic institutions, media and military security, which has come into civilian hands, guaranteeing these agencies' loyalty to him. However, what is not known now is whether Chedli Bendjadid still enjoys the confidence of the army, which brought him to the presidency following Boumediene's death, and consequently whether the senior officers in the Algerian army, who were raised in Boumediene's era, support Chedli Bendjadid just in order to eliminate the adversaries or also back his domestic policy and his methods for treating crises and share his view on the cultural issue, which has been transformed into a political one. If the army, which views what is going on domestically in Algeria in a manner similar to the way it did when it was commanded by a minister of defense named Boumediene in the era of Ahmed Ben Bella, does not support Chedli Bendjadid's policies, or even if it is neutral, the centers of decisionmaking that Bendjadid eliminated will not miss the opportunity to bring the army in and return it to the arena of political struggle; this will not come about by pushing him to solve domestic political problems and suppress disturbances or student demonstrations -- because there is a risk to everyone in that -- but rather by pushing him to stir up war with Morocco, especially since the roots of this war have spread since the independence of Algeria and the first conflict on the borders in the era of Ahmed Ben Bella. The centers of decisionmaking that have been liquidated and eliminated represent the hard-line wing in the Algerian regime and consider themselves to have been Boumediene's partners in stirring up the Sahara issue and the heirs of the view which holds that Algeria is the leader of the Maghreb and the African continent and bears the banner of the "people's Maghreb" -- goals that Chedli Bendjadid has abandoned.

From the beginning of the war in the Western Sahara, the hard-line leaders in the Algerian regime had been hoping to occupy a position of leadership through Polisario, especially following Boumediene's death. Chedli Bendjadid came up against difficulties in imposing his authority and therefore this hard-line wing, which believes that continued tension and military skirmishes in the Western Sahara are its only means for coping with the liquidation activities directed against it, found its instrument in the summit resolutions of the Organization of African Unity, and Chedli Bendjadid actually did take measures against Yehyaoui and his supporters and Bouteflika, directly after Hassan the Second had given his agreement to the holding of a referendum in the Western Sahara. Consequently, after Chedli Bendjadid had become assured that the Sahara issue was resolved and that it would perhaps be possible to restore Moroccan-Algerian relations, the hard-line wing in the Algerian regime continued to stand directly opposed to any Algerian-Moroccan negotiations; Col Kasdi Mirbah played a role in this area which resulted in his dismissal from his position.

For these reasons, resumption of the war in the Western Sahara means, as regards the hard-line wing in the Algerian regime, which has been eliminated, a new breather and



a final chance for salvation which cannot be ignored because Chadli Bendjadid's commitment to prevent military operations from setting out from Algerian soil -- a commitment which was safeguarded in practice by the Algerian mobilization on the Moroccan borders -- is in fact the start of the road toward restoring Moroccan-Algerian relations to their natural state. It was expected that an announcement would be made on the restoration of these relations after an expected meeting between Chadli Bendjadid and King Hassan the Second in Paris under the aegis of France. This means that now that Algerian-Tunisian relations have reached an advanced stage of improvement, Chadli Bendjadid has come to enjoy actual power in the context of the Maghreb and this enables him to impose his dominance domestically and consequently put an end to the hard-line wing completely.

From the standpoint of Polisario, the resolutions of the Organization of African Unity summit and King Hassan the Second's agreement to the holding of a referendum in the Western Sahara have raised disputes within the front on the one hand and have put it on the sidelines on the other. The referendum is concerned only with the people who really inhabit Saguia El Hamra and Rio De Oro, while the Polisario front contains a majority which does not belong to this area, in spite of its affiliation with Saharan tribes from northern Mauritania, southern Algeria and even Mali; consequently it is not involved with the referendum, which it considers will mean the termination of its political role in establishing its own country. These are the same elements which impose the condition of direct negotiations with Morocco in exchange for agreeing to a referendum and cease fire. The position of this majority, to which a number of front leaders belong, will be strengthened as a result of Polisario's shift to a marginal position which threatens to eliminate it following the holding of the referendum which will confirm that the Sahara belongs to Morocco. Therefore the resumption of military action and the violation of the cease fire will realize a number of goals at the same time for the front, most important being to transcend internal disputes, revive its existence, and impose Morocco's recognition of the front and direct negotiation with it, not over the referendum but over the independence of the Sahara, the absorption of the elements that make up the majority within the population of Saguia El Hamra and Rio De Oro, and the recognition of the front members in the event agreement is reached to the referendum.

Thus domestic Algerian factors have coincided with the new situation which Polisario has faced following the Nairobi summit and it was through this that the military invasion of Guelta Zemmur came about, realizing all the goals that the hard-line wing in the Algerian government and the majority directing Polisario policy are working toward. However, this military attack is different from the other Polisario military operations in that it actually threatens to be the direct start of an Algerian-Moroccan war, which is what Polisario had previously striven for without success by disguising its units as Moroccans and striking at Algerian military concentrations.

It is to be noted that the Algerian reaction was stated by the Political Bureau of the Algerian Liberation Front, that is, Chadli Bendjadid. The Algerian statement stressed Algeria's desire to pursue a peaceful negotiated solution to the issue of the Western Sahara, Algeria's commitment to the undertaking Chadli Bendjadid made, and rejection of the Moroccan charges. Polisario has kept silent and has not even declared whether it embraces the military operation against the town of Guelta Zemmur, and this explains the goal of the military attack, which seems to have embarrassed the Algerian authorities and caused Polisario to lose the card of international recognition and the benefit of the Organization of African Unity resolutions.

Faced with Polisario's violation of the cease fire and the violent Moroccan reaction to this military attack, the danger that war will break out again has come to loom over the northwestern region of the African continent and the factors which prompted the Polisario military operation could result in the outbreak of an Algerian-Moroccan war if the parties concerned lose their control of the new conditions.

However, Arab efforts, which were exerted as soon as the situation reached a crisis with the Polisario front's military attack, have calmed the tension to some extent, at least as far as the likelihood of the outbreak of an Algerian-Moroccan war go. These Arab contacts were represented by Arab League intervention and the efforts of some neighboring countries, including Tunisia. Nonetheless, anxiety over a probable deterioration of the situation continues to dominate the region. In its first declaration 4 days after the operation, the Polisario front declared that it was in control of the town of Guelta Zemmur, that the battles were going on, and that it intended through its military attack to "reveal Morocco's intentions," which were not peaceful. A day later, informed sources said that Polisario had taken control only of advanced positions close to the town, that the losses on both sides were high, that the Moroccan forces reimposed control over the area, that the battles continued for about 6 consecutive days, and that they were among the biggest battles the Sahara war had witnessed since 1976. Although the full details of these battles are not known, it is now certain that Polisario's attack has brought the clock back to the situation that prevailed before the Nairobi conference and King Hassan the Second's declaration of agreement to the holding of a referendum on autonomy among the people of the Sahara, and that therefore it is not to be expected, in the light of Moroccan statements, that Morocco will continue unilaterally with the cease fire and execution of the African summit resolutions, especially since the Polisario attack was clearly connected to political conditions and situations that are outside the domestic elements of the Western Sahara issue.

The ramifications of the Polisario action may not stop at this point but may in one way or another affect the activities of the Arab summit which is to be held in the Moroccan city of Fez toward the end of next month and might cast some light on the motives behind the attack which Polisario made. If the Algerian president, Chedli Bendjadid, attends the Arab summit conference, all eyes will be directed toward the possibility that he will meet with Hassan the Second, or at least toward the negotiations between the two countries that will take place in the halls.

11887

CSO: 4504/67

VARIOUS ASPECTS OF ARAB BANKING EXAMINED

London 8 DAYS in English No 45, 14 Nov 81 pp 21-56

[Text]

***Arab banking has come of age: the likes of Bahrain and Kuwait are now world money centres. In this special 36-page report, an expert team of 8 Days writers looks at the phenomenon of Arab banking from all angles. Included in the topics they discuss and analyse are: a mystery \$25bn gap between Opec surpluses and investment, euromarket trends, the future of the consortia, co-financing and Third World aid, the Islamic factor, takeovers and the push for business in the West as well as firm control of the domestic markets. It opens with a report by Anthony Marriott on the system's linchpin: Opec revenues.***

The growth of the Arab banks over the last decade has shown the world's traditional money centres in Europe and the US not only that an indigenous banking system could be established swiftly and efficiently in the Middle East, but that this newly-created league of Arab banking institutions is now capable of making major contributions to the redeployment of Opec surplus funds to the non-oil producing nations. The extraordinary rise of the Arab banks, in the face of heavy competition from western banks in their home markets as well as outside the Middle East, has given them an opportunity to shift the balance of financial power from the capital markets — traditionally based in New York and London — to the new money centres such as Bahrain and Kuwait.

However, while the smooth growth of the Arab banks can be linked to the increase in the surplus funds of Saudi Arabia and the Gulf, the future task of handling the inflows and outflows of Middle East petrodollars seems likely to be far more difficult than it has been — over the last three

years of troubled and volatile capital markets worldwide. And yet the burden of recycling the fluctuating surplus will more-than-ever rest with the Arab banks.

**S** The problem is complex but, on a simple analysis, breaks down into two distinct concerns: first, the western banks have encountered severe limitations on their ability to recycle money to the non-oil nations by way of recycling; and second, the volume of the Opec surplus itself is changing radically, as the effects of world recession and an oil glut filter through to the economies of the oil producing states.

The Arab banks face a massive juggling act. They must take the strain off the western banking system, which has been creaking since the impact of the second 'oil shock' in 1979, while at the same time they must be prepared to fund not only the non-oil states both in the industrialised and in the Third World but even those Opec states who are now finding that the cost of their development programmes is outstripping the income from their oil revenues. On top of all this, the Arab banks — not unnaturally — are expected to make a profit.

While the problems of the western banks have not gone unnoticed in the Middle East over the last year, the sudden shift in the flow of Opec funds, which has led to drastic revisions in the forecasts of the members' financial surplus for 1981 and 1982, caught nearly everyone unawares until earlier this summer. Up to that point, banks and governments alike had been predicting a repeat performance of last year.

In 1980 the total quantity of Opec exports amounted to \$301bn in dollar values, of which \$274bn came from the sale of oil. Since the combined Opec import bill amounted only to \$190bn, Opec recorded a financial surplus of \$111bn. This figure was reduced to \$103bn after official transfers from reserves, and became the generally accepted figure for the net Opec surplus.

In January, Morgan Guaranty Trust (whose financial statistics and economic reports are among the most widely regarded of any produced by western banks) was predicting that the net current account surplus would reach \$110bn for 1981. The following month, the First National Bank of Chicago, allowing for the effects of the recession, joined the ranks of the forecasters with estimates of a net surplus after transfers of \$86bn. By the end of June, both Chase Manhattan and Morgan Guaranty had revised their figures downwards into rough agreement with the First Chicago assessment.

The major flurry arose on 25 June in an article published in New York and syndicated throughout the Middle East in the *International Herald Tribune*. Two economists at the securities firm of Rosenkrantz, Ehrenkantz, Lyon & Ross — who had successfully predicted the current oil glut as far back as April 1980 — were suddenly predicting that the year-end Opec surplus would be as little as \$30bn, going into deficit in 1982 and 1983. Development programmes in the Gulf states could not be cut or postponed sufficiently to allow imports to cost less than oil exports.

So startling a prediction was this that it received wide coverage both in the Middle East and in Europe. The argument ran as follows: with non-oil sources of energy currently growing at a rate of five per cent, and with non-Opec oil supplies expanding rapidly and coming on the international market at almost the same growth rate, the downward pressure on oil prices would continue, with the average price of oil likely to stabilise at around \$30 a barrel. On this basis, total Opec exports would come to no more than \$260bn in 1981, with a figure of \$215bn in 1982 being outstripped by a total import bill of \$250bn.

The controversy surrounding these numbers still persists, but Wall Street at least now believes

that estimates of the Opec surplus have been generally too high.

The problem for the Arab banks is that any reduction in the petrodollar surplus would not be uniform throughout Opec. First National Bank of Chicago has estimated that if the surplus were to be reduced to \$68bn in 1981 (a figure which it was predicting at the end of July), Iran, Iraq, Algeria and the non-Arab members of Opec would all be in deficit. Should the net surplus be even lower, certain other Arab producers — Bahrain in particular — would also be in deficit.

If nothing else, the current debate over the size of the Opec surplus has drawn the attention of Arab banks to the possibility that they may be called upon to fund any cash shortages which Opec members may experience as a result of the oil glut and the recession in the West: recycling from Opec to non-Opec states is not the only likely flow of funds in the coming years, since Opec may well be forced to finance the deficits of individual members such as Nigeria.

While the overall size of Opec surplus funds to be redeployed in the next two years seems certain to be less than those of 1980 — and perhaps even 1979 — the burden of recycling will remain firmly with the Arab banks, for a number of reasons.

Foremost among these has been the inability of the western banks to increase their capital resources sufficiently to enable them both to lend and take funds on deposit. Banks accept and disperse deposits and loans up to a ceiling generally permitted by their national banking regulators. Prudent banking has it that a bank should not lend or accept on deposit more than 15-17 times their capital base, which is normally measured as the bank's equity, reserves and specially subordinated loans. However, as loan and deposit activity increased in line with the growth of the Opec



surplus in the mid-1970s, the banks were unable to show a corresponding increase in their capital. When some of the western banks tried to lend more than was deemed prudent, given the size of their total shareholders' funds, the resultant secondary banking crisis of 1974 and after brought home the lesson that too much expansion of banking business on too little capital can only lead to disaster.

In the wake of the second oil 'shock', the western banks have been cautious not to expose themselves to the perils of over-extension, and with good cause. At least 360 banks are currently affected by Poland's debt-rescheduling problems. With Third World loans to Jamaica, Zaire and Turkey also causing concern — particularly to the New York banks — the spectre of loan losses wiping out large portions of the western banks' capital has not been far away.

Nor indeed have the banking regulators, both private and governmental, who monitor the activities of the US and European banks. While the western central banks have been preaching caution and encouraging a more conservative attitude in deciding what is a prudent asset-to-capital ratio, so the private credit rating

agencies have been making pronouncements of their own. Last month, following a 40 per cent drop in profits in the second quarter and the spectacular removal of \$4.5bn of Kuwaiti government funds under its management, Citicorp had its Triple-A credit rating cut to a Double-A-plus. The largest banking group in the US is therefore no longer the best credit, suffering a demotion already experienced by First National Bank of Chicago, the ninth-largest US bank.

Without higher profitability to boost their capital reserves, and in the absence of major capital injections from shareholders, who are dissatisfied at the low levels of return on their investment, the western banks have been powerless to increase their balance sheets in line with the growth in the last three years of the Opec surplus. Not only has this hampered the efforts of the western banks in recycling funds to the non-oil nations, it has also made them unattractive institutions for C, cc deposits.

Earlier this summer, the Bank for International Settlements in Basle reported that in the last quarter of 1980 Opec had increased net deposits in the western banking system by only \$1.4bn. This was a dramatic

change from the first nine months of the same year when, by the end of September 1980, the net increase with western banks stood at \$34bn. Opec had started to shift its money elsewhere. The freezing of Iranian assets in the fourth quarter of 1980 clearly taught the rest of Opec — and the Gulf states especially — that western banks could respond to political pressures.

So far the greatest losers from the switch away from the western banks to the Arab financial institutions have been the US banks. Chase Manhattan Bank has estimated that during the whole of 1980 Opec members increased their deposits with the US banks and their foreign branches by only \$1.1bn.

While much of the funds previously on direct deposit with the US banks now filter back into the western banking system by way of private placements and fiduciary accounts with Swiss banks, the Arab banks are major beneficiaries of Opec disquiet at the condition of the western banks. The effect is two-fold: pressure has been taken off the larger European and US banks, while at the same time the Arab banks have been given an unparalleled stimulus to growth.

The Arab banks are well placed to take advantage of the shift of Opec funds away from their traditional resting-places.

## DRIVE FOR LOCAL EXPERTISE

---

*The increasing sophistication of banking in the Gulf, and the burgeoning slice of local business now being captured by local institutions, has inevitably put skilled banking manpower at a premium. Richard Walker looks at how Arab banks are tackling the problem of finding men to handle the money.*

---

The rapid expansion of banking in the Middle East has led to immense pressures on Arab and western institutions alike. But while commentators have focused mainly on the balance sheets and loan activities of the banks operating in the region, the banks themselves have been

concentrating on a less publicised pressure — staffing.

For as the banks have grown in terms of capital and assets, their need has increased for trained and experienced people capable of bringing sophisticated banking

techniques to the Middle East markets. At present there is a real shortage, especially in the Arab institutions, of the skilled personnel needed to sustain the remarkable growth of the past 10 years.

So great is the pressure on the institutions of Saudi Arabia and the Gulf to find good management that it is now acknowledged that this is the one factor that could impede their future growth.

Fifteen years ago, the major transfers of capital in the Middle

East were carried out almost exclusively by branches of foreign banks, such as Grindlays and the British Bank of the Middle East. As a result, the most able bankers with knowledge of the Arab world were likely to be found in a western bank.

It is for this reason that in the 1960s the common trend among the indigenous Middle East banks, many still in the fledgling stage, was to enter into management contracts with foreign banks. National Commercial Bank of Saudi Arabia, now a strong and independent entity, originally relied heavily on the Bank of America, which provided all its operations staff. Similarly, the Commercial Bank of Kuwait developed its current expertise only after many years during which the bank's senior positions were filled by personnel from Chase Manhattan under a management contract.

Two other trends developed at the Arab banks during the 1970s. Instead of full management contracts with foreign banks, senior western managers were seconded for short periods under what were known as technical assistance agreements. Temporary help could be given while the bank was being set up, and it was in this way that Gulf International Bank was able to draw upon the services of a handful of senior officers from Citibank in its early days. Alternatively, the Arab banks chose to buy in expertise independently of any one of the western banks by recruiting (normally with the help of a specialist firm of executive search consultants) western nationals, who could become an expatriate work force.

Now the trend is away from management contracts, technical assistance agreements and the recruitment of expatriates: today the search is for qualified Arab staff with the ultimate objective of having a bank entirely composed of capable and experienced Arab bankers. But there is not a sufficiently large pool of senior

banking talent yet, and the new generation cannot be trained fast enough to meet the growth in demand for their services. Furthermore, the western banks have seen the need to employ Arabic speakers in their Middle East branches — resulting in intense competition to recruit qualified Arab nationals.

To alleviate this problem, many Middle East banks now send their bright young recruits to the training programmes run by the money centre banks. Saudi International Bank has linked up with the Morgan Guaranty training course in New York. Others are using the Chase Manhattan course in London or the Citibank course in Athens. However, while it is accepted that the American banks operating internationally still provide the highest attainable standard of financial teaching to produce sharp young marketing staff and credit analysts, their courses are not aimed specifically at the needs of the Arabian peninsula. So Gulf Bank now runs its own continuous training programme in Kuwait on the grounds that a well-managed local course in finance and analysis will produce better Arab bankers than a protracted exile in Europe or the United States.

The move to local training courses like Gulf Bank's has been accompanied by the realisation that the best talent can only be recruited by people who know the business fully and who, as senior officers in the bank, are able to devote themselves entirely to the job of attracting and keeping motivated individuals. Gulf Bank last year appointed a highly-qualified vice president to work exclusively on the bank's training and personnel needs.

The trend towards high ranking senior executives taking the recruitment burden from the shoulders of line managers in the Arab banks is one which John G. McCarthy Jr, head of the Middle East department at the executive search firm of Russell Reynolds,

believes will become more pronounced in the future as the Arab banks grow. 'In the past the indigenous banks have concentrated on the day-to-day business of taking deposits and making loans without giving enough attention to the human capital needed to run a bank. The appointment of top personnel directors to the senior management teams of banks like Gulf takes some of the pressure off the bank's other officers, yet it also makes it possible to establish carefully run training programmes in the bank's own headquarters.'

However, the executive search firms themselves have been far from idle of late. As the need for managers with first hand knowledge both of the Middle East and of computerised banking has become more acute, so the recruiters have been forced to look further afield. This has taken two very distinct forms: first, the searchers have found themselves attracting a growing number of Arabic-speaking candidates from overseas; second, the Arab banks that formerly operated in one or two major locations in the Gulf are rapidly expanding into Europe and the United States with a consequent need for senior managers for their New York or London offices.

Wooing back bankers whose family ties lie in the Middle East but whose careers have been exclusively in the West is seen as the coming of age of the new Arab banks. Ten years ago it would have been difficult to lure second-generation Americans or Canadians of Arabic origin to the newly-formed Gulf institutions. Now it is viewed as an opportunity for a successful and lucrative career as well as a chance to re-establish regional roots. The change in the US tax treatment of US nationals working overseas has also served as an inducement to work abroad.

For the westerner, the opening up of offices outside their traditional area by the Arab banks

## NEW TRENDS IN PETRO-SURPLUS RECYCLING

*Opec countries are moving out of traditional outlets into new forms of placements and investments, finds John Leroux in this report on the euromarkets.*

Opec nations accumulated some \$185bn in current account surpluses, net of official transfers, between 1979 and March this year. Yet, barely \$70bn of those temporary excess funds have seeped through the international banking network during that period. Another \$81bn showed up through the following channels: \$22bn into US government securities, corporate bonds and stocks, \$3.1bn in UK instruments and stocks, \$21bn into aid programmes, the IMF and the World Bank and \$31.5bn in other forms of investments elsewhere in the industrial world.

This leaves an unidentified gap of \$20-\$25bn in Opec's redeployment operations, a figure which has been increasing steadily since the second round of major oil price rises. Obviously, the sharp fluctuations of exchange rates on the international money markets have made the task of both the Bank for International Settlements (BIS) in Basle and the Bank of England even more difficult in tracking down how Opec, particularly the Gulf states, actually spreads its resources on the world capital markets.

But for Professor Alexandre Lamfalussy, the Belgian deputy general manager and economic adviser to the BIS, there is no doubt: the gap is widening between anticipated surpluses and the visible redeployment of funds by Opec. 'We already noticed the phenomenon in the first quarter of 1981 while preparing our report on international banking developments. And the trend continued through the second quarter.'

By the end of December 1978, when the upward pressure on oil prices was already bubbling with the Iranian revolution, Opec had aggregate bank assets of \$82.5bn in hundreds of institutions throughout Europe, North America, Japan and a string of offshore centres, with a net total of \$6.1bn after deducting liabilities. By spring 1981, the gross total had reached \$161.5bn for a net increase, minus liabilities, of \$70bn.

'At worst,' explained a BIS source to *8 Days*, 'there may be a very light under-evaluation a few billion dollars, but the figure is quite representative.' This would show that out of its total accumulated surpluses, Opec would be keeping around 40 per cent of its funds in short-term deposits, the remainder going into equity and debt instruments. 'As happened after the first oil shock,' claims Lamfalussy, 'new figures indicate that oil exporting nations are in fact shifting away from traditional outlets into new forms of placements and investments.'

During the first quarter of 1981, the BIS indicated that 'barely 40 per cent of new Opec deposits were denominated in dollars, suggesting as far as their bank deposits are concerned, that Opec countries' investment pattern had a stabilising influence on the exchange markets' at a time when the dollar was so high. And in fact, a better timing couldn't have been chosen to step out of the dollar to buy cheap European and Japanese currencies. That trend persisted through the second quarter of 1981, confirms the BIS with its preliminary figures, with private European bankers pointing towards tremendous pressure on the Deutschmark during the summer, which eventually led to a currency readjustment in Europe.

The wave of nationalisations in turn provides new opportunities: formerly an expatriate working for

a bank in the Gulf could well have expected to have had a limited career horizon as the new generation of local bankers advanced. With the rapid overseas expansion of Arab banks — especially with the latest changes in US banking laws allowing offshore banking in New York — a westerner may now look to the possibility of a lengthy career with an Arab bank both in the Middle East and in the West.

This change is well documented by Russell Reynolds, which has been the most active of the executive search firms in the Middle East for many years. So far this year 10 per cent of their assignments for Arab institutions have been to bankers to work in the new branches and subsidiaries in the West. Russell Reynolds was founded as a New York firm before spreading overseas itself. McCarthy himself has been frequently quizzed by bankers

about to set up their US operation and look for senior staff. 'People I have worked for exclusively in the Middle East will ask me to help them find managers for their new US subsidiary.'

The hectic search to find banking talent for the Middle East seems destined to intensify rather than diminish over the coming five years, and the premium for being a qualified and ambitious Arab speaker is likely to remain great. Although the western banks in the Gulf are less aggressive in their recruiting than they were, the eagerness to expand has made the Arab banks and investment funds active to the point at which they are prepared to hire good bankers away from rival firms.

High-flyers have switched banks not only from one part of the Gulf to another but, say, to institutions on the other side of the street in Manama. When talent is in short supply, the seller's market prevails. France, coupled with massive demonstrations for nuclear



disarmament throughout the continent, strengthened further Arab apprehension towards Europe. One thing is clear: private Arab capital is fleeing Europe in favour of the US and Far East Asia. *5 Days* understands from Arab financial sources in Paris and Geneva.

Still, the growing Opec liquidity on the international markets, which really peaked by late autumn of 1980 for the high absorbing countries and which may already have reached a ceiling for the low absorbing countries, helped Arab commercial banks and mixed consortia to make new inroads in the syndicated euromarkets.

Over the first nine months of 1981, the value of deals managed or co-managed by institutions listed among the top 100 world banks involved in eurocredits shot up to \$5.5bn against less than \$2bn over the same period last year. This time, twelve Middle East institutions made the *Euromoney* 100 list compared to 10 last year

and less than a handful in 1979.

On the surface, such a performance may still remain small by world standards with a share of 4.6 per cent of some \$120bn worth of deals. But once US jumbo loans — to which Arab institutions didn't have access on the management side anyway — are retrieved, thus diluting the overall value of deals to about \$80bn, the Arab share comes close to 7 per cent. In more general terms however, leaving aside the strict criteria of lead or co-lead management, Arab institutions now participate in more than 60 per cent of eurolends.

Except for a few institutions, such as the Kuwait Foreign Trading, Contracting and Investment Company, Gulf International Bank, Saudi International Bank, Al-Ubaif group and BAIL, and perhaps the newly created Al-Mal group based in London, the characteristic of most Arab banks is that they are still mere funders with only limited

resources to structure a deal.

Despite the Arab Banking Corporation's aggressiveness this year on the market — with 45 deals valued at \$1.2bn under management or co-management — it acts very seldom as the loan agent, a position regarded as strategic within a syndicate in order to stay in close touch with customers and to be able to forecast their future needs.

An interesting development this year among Arab euromarket players was the change in configuration. Whereas Gulf, Al-Ubaif, Saudi International, Arab African International Bank, with its affiliate Al-Baab, and the National Bank of Kuwait held two-thirds of managed deals in 1980, their share has shrunk to a mere third this year. Beside ABC, which has increased tenfold the deals under its management, the Arab bank group leaped to the second place, followed closely by KFTCIC and Al Saudi Banque in fourth and fifth positions respectively.

## the top Arab movers on the syndicated Euromarkets

(deals managed or co-managed in million \$)

	(Jan-Sept) 1980			(Jan-Sept) 1981		
	amount	number of loans	rank	amount	number of loans	rank
Gulf International	454.18	23	1	845.16	40	3
Al-Ubaif	214.83	12	2	297.76	17	6
Saudi International Bank	213.66	11	3	213.39	18	9
Arab-African and Al-Baab	191.05	12	4	208.30	19	10
National Bank of Kuwait	174.59	16	5	233.73	14	8
Arab Banking Corp.	157.50	5	6	1,214.41	45	1
European Arab Bank	157.48	6	7			
National Commercial Bank (S.A.)	135.39	10	8	167.68	8	12
BAIL	134.70	5	9	261.19	13	7
National Bank of Abu Dhabi	108.51	9	10			
Arab Bank Group				940.81	22	2
KFTCIC				598.72	16	4
Al-Saudi Banque				344.13	12	5
Ariabank				177.77	15	11
total	1,941.89	109		5,503.05	239	

Share of total loans as recorded by Euromoney Syndication Guide among 100 leading world banks:

4.08%

4.59%



## the ups and downs of ME assets spread in Western banks(1)

countries	first quarter 1980	second quarter 1980	third quarter 1980	fourth quarter 1980	first quarter 1981
low absorbers: Kuwait, Qatar, Saudi Arabia, UAE	45,772	49,098	54,454	56,855	85,671
high absorbers: Bahrain, Iraq, Iran, Libya, Oman	42,274	48,829	50,983	51,959	46,173
Egypt	4,224	4,957	5,065	5,149	5,212
Jordan	1,342	1,544	1,614	1,730	2,405
Lebanon	5,248	5,585	5,916	5,978	6,132
Syria	857	914	905	847	970
North Yemen	1,135	742	771	694	654
South Yemen	283	377	355	360	318
residual (2)	12,862	14,577	13,890	14,102	12,111
Algeria	4,111	4,647	5,028	4,616	4,299
Djibouti	131	131	126	150	140
Mauritania	123	149	185	131	134
Morocco	692	737	726	710	545
Somalia	83	66	53	65	79
Sudan	466	508	464	539	711
Tunisia	610	746	850	719	676
total	120,218	133,607	141,363	144,604	146,230
oil-exporting countries:	129,553	145,439	155,769	159,688	161,513



Source: Bank for International Settlements

(1) end of periods — includes gross liabilities by banks in Austria, Belgium, Luxembourg, Denmark, France, West Germany, Ireland, Italy, the Netherlands, Sweden, UK, Canada, Japan and for offshore branches of US banks vis-a-vis the Middle East

(2) Includes positions of US banks vis-a-vis ME countries other than Egypt, Israel, Lebanon, Syria and Libya.

## ARAB MERCHANT BANKS BEGIN TO BREAK THEIR WESTERN CHAINS

*John LeRoux reports on the evolution of Arab merchant banking, which is progressing away from the western Arab consortia of recent years towards the concept of all-Arab groupings. These megabanks, based on the concept that 'big capital means big business' are having to face up to the lack of human resources — in some cases, with success.*

In the Middle East the concept of Western-Arab banking consortia is giving way to Arab merchant banking, and new creative instruments are being designed specifically for this fast-changing business environment. This shift is probably the most crucial in the Middle East banking and money management in the 1980s. It may take another 5-7 years to get off

the ground, but is bound to new avenues and conduits bankers and financiers.

Just consider the following steps:

● In the late 1960s and early 1970s, four banking channels were opened up: Beirut as a stepping stone, Switzerland, France with the three mixed banking consortia (FRAB bank in 1969, UBAF in

1970 and BAI in 1973) and New York's First City and Chase Manhattan.

● In 1975, Kuwait, Saudi Arabia, Bahrain, Qatar, the UAE, Oman and Iraq banded together to establish the first big all-Arab consortium — Gulf International Bank. Algeria and Libya jointly set up Banque Intercontinentale Arabe in Paris. Meanwhile, the Beirut channel was virtually neutralised, forcing banks to set up shop where the action was — Europe.

● Despite the flux of petrodollar surpluses, Arab banks were hardly making hefty inroads on the international markets. Still in the establishment phase, their capital base was very narrow by world standards. Abdulla Saudi of the Libya Arab Foreign Bank decided 'to break the chains' and push for a jumbo institution capitalised at \$1bn by Libya, Kuwait and the UAE. With Saudi Arabia refusing to join in, the Arab Banking Corporation was founded in 1980, aiming at international bank status. Meanwhile the House of Saud had gone its own way with Saudi International Bank in 1975. This was to act in conjunction with western partners as an unofficial spearhead to develop new outlets for SAMA and other funds under official government management.

● The concept of a megabank such as ABC caught the imagination of many Arab bankers who now claim that 'big capital means big business' and that is where the future lies.

But the problem is really the following: although a large capital base counts in international banking, it can't really make up for the lack of human resources which still plagues most Arab institutions.

Pioneers like Dr Shatiq Akhras, the Syrian founder of the Arab Finance Corporation, and Abdel Majid Shoman of the Arab Bank, spearheaded a whole new breed of 'financial engineers', as Hikmat Nashashibi is fond of calling himself. As chief executive of the newly-formed Al Mal group based in London, Nashashibi and his deputy Omar Kassim reflect the aggressiveness and drive of a new generation of innovators. Experienced in the most advanced western banking techniques, new bankers are returning to their roots, like Talat Othman of Al Saudi Banque, a Palestinian who lived for 32 years in the US and who speaks Arabic with a strong American accent.

Al Mal, the reborn Arab International Finance Company (Arinfi), the Arab Bank Investment Company, Roger

Azzar SA in Paris, Arab Leasing and others are trying to do more than just a thing or two on the market. With small capital, they are attempting to capture petrodollar flows channel them into brand new types of vehicles.

The frontrunner of them all is surely the London-based Arinfi group, headed by Walid Said, an Oxford-educated Iraqi. As a reshaped investment house, which nearly lost its shirt in the international bond slump of 1976-1978, Arinfi will prove a model for ambitious Arab merchant bankers in a few years' time. Unlike Ghaith Pharaon who, with the assistance of Roger Azzar, acquires already-made assets throughout the world, or Roger Tamraz, chairman of First Arabian Corporation, who takes over assets to sell them back eventually for a profit (at least in the real estate market), the whole aim of Arinfi is a double one: to avoid being sucked into one particular market, be it eurobonds or real estate, and create its own institutional circuit.

Aside from the Kuwait Asian Bank, for which it acted as agent for the subscription drive, the group launched Arab Leasing in 1979, the first such venture in the Middle East; United American Properties in 1980 which, as a real estate fund, now manages \$40m worth of assets in the US; and Ampetrol, 'a vehicle for institutional and private investors to participate in a balanced US energy portfolio covering oil and gas, solar heating, coal, geothermal energy and shale oil sectors.'

It will soon be setting up a brand-new investment vehicle aimed at getting a share of the booming business opportunities in Southeast Asia and the Australian continent, with the help of New Japan Securities Europe Limited, Sun Hung Kai Securities and Ord Minnett. The group already has a Hong Kong affiliate, Arinfi Asia, which reportedly operates very successfully. 'We are small and we want to remain small and profitable,' says Ghias el Yafi, a former vice-president for the

Middle East at Merrill Lynch International (London).

Despite its drive, the holding company of Arinfi has only \$132m in paid-up capital. Although a string of other ventures and investments are in the offing for 1982, Arinfi's next big step will be to consolidate its impressive portfolio by decentralising management. All operations are now undertaken from Arinfi but as the affiliates grow, separate management will be required for each. That should thrust the group into the limelight within the next five years.

Other institutions, small by world standards but fairly important in the Middle East, are following suit, though perhaps more cautiously. The Paris-based Lebanese Audi Group has set two important targets for future expansion: the US and Lebanon.

Already deeply involved in banking (Paris, Switzerland, Lebanon, the UAE), insurance (personal, general purposes and marine freight) and real estate, Banque Audi Group believes that Lebanon still has tremendous potential against the day the civil war ends. Its bank assets have grown since the '1975 events' from Lebanese £300m (\$65m) to L£2bn (\$440m) and proves that widespread business among small- and medium-size depositors can still be very profitable, despite heavy liquidity.

This type of business is increasingly being taken care of by Banque Audi (Suisse) SA, Banque Audi (France) SA and the Sharjah-based Investment Bank. In July, the group took full control of the Swiss affiliate by acquiring the Notz family's 50 per cent share, and boosted the bank's total capital resources from SF6m (\$3.2m) to SF16m (\$8.5m). Soon, it plans to open up an offshore bank in New York, to set up its own real estate investment vehicle, and perhaps go into oil and gas exploration. It also aims at opening up in London to broaden its financial services to customers.

## THE ARABISATION OF MIXED BANK CONSORTIA

*A number of mixed bank consortia are coming under pressure from Arab shareholders to dilute their western holdings. John LeRoux investigates this move towards independence.*

Three brand names in the world banking sphere will never be the same again: UBAF, FRAB Bank and Banque Arabe et Internationale d'Investissement (BAII). All three have been subjected to intense pressure for Arab takeovers and, so far, two have succumbed to a 'do it yourself' drive by Middle Eastern institutions.

The powerful French Credit Lyonnais has withdrawn from the international group holding company, UBAF, FRAB Bank and Banque Arabe et Internationale d'Investissement (BAII). All three have been subjected to intense pressure for Arab takeovers and, so far, two have succumbed to a 'do it yourself' drive by Middle Eastern institutions. The western vacuum will be filled by the National Bank of Kuwait which now holds 51 per cent.

And now, the Abu Dhabi Investment Authority and Saudi Arabia's Arab Petroleum Investments Corporation are pressing their 15 fellow Arab shareholders to take majority control of BAII, which always insisted on maintaining a 50-50 western Arab shareholding.

Unlike FRAB (which was never highly profitable, due to long-standing management differences between its two family shareholders) and UBAF (where Credit Lyonnais was regarded as far too powerful a shareholder, with 40 per cent), the problems facing BAII stem particularly from its western and Kuwaiti shareholders.

Last year the holding company, Compagnie Arabe et Internationale d'Investissement,

tried unsuccessfully to raise its capital by \$50m. But it could only gather \$28m, simply because western and Kuwaiti shareholders would not go further, despite other Arab participants' readiness. With a remarkable 22-23 per cent yield, CAII can still run through the next 14 months without further raising its capital.

But beyond that, the strain on capital might start to show — and slow down the 25 per cent yearly expansion rate achieved so far. That is why less than \$6m will be paid out this year in dividends, after the deduction of some hefty provisions. The banking group could take three different paths to solve the capital problem:

- It could give way to Arab pressure by substantially increasing Middle Eastern institutions' share.

- It could finally restructure its shareholding by allowing an across-the-board authorised capital increase. This would attract new non-Arab partners from Latin America and Asia, and satisfy the needs of Arab shareholders who want to invest more. But the outcome, though diluting the quality of non-Arab shareholders, would keep intact the 50-50 ratio and protect the management,

which has proved very successful.

More so than with UBAF, the result of BAII's reconversion could be very significant for future trends in Middle East finance. BAII is considered as the best among the very few Arab-linked institutions that have gone into international merchant banking.

This phenomenon of mixed banking consortia breaking up, as forecast by *8 Days* last spring, could eventually catch up with the European-Arab Bank group. Applying the same 50-50 principle as BAII, EAB is bound to be affected in some way by the 'do it yourself' tide. Aside from FRAB Holding, four out of EAB's 11 western banks were involved in FRAB Bank.

Now that international money circuits have been established through those consortia, some observers think it might well be time to consolidate and merge a few of the mammoth structures. That, at least, is what Libya's central bank governor, Rajeb Misselati, believes: 'We have an interest in the four Paris-based consortia and we are competing against ourselves. Why should that be? One day, those consortia should perhaps come together and join forces.'

## THIRD WORLD BENEFITS FROM ARAB CO-FINANCING SCHEMES

*As development projects increased in size and scope, so the source of aid has had to diversify. Co-financing has provided a convenient mechanism whereby aid bodies can join forces with commercial banks. Arab agencies started participating in co-financing schemes in 1974, initially melding petrodollars with western funds, and later drawing in Arab banks. John Leroux surveys the background to Arab co-financing and shows how this relatively new technique in recycling petrodollars will benefit developing nations.*

Increasing amounts of Opec aid funds are being channelled into co-financing schemes, a relatively recent development for Arab money initially involving the blending of petrodollars with western aid programmes. A new departure — still in the experimental stage — is the combining of low-cost aid with funds from commercial banks.

Yet, its emergence could have a tremendous impact — not only in the Middle East but internationally on the capital markets — by stimulating western and Japanese banking involvement in the Third World under the umbrella of new guarantees, providing a rapidly growing outlet for Arab banking circuits (which, by and large, have concentrated on sovereign risk lending so far), and boosting the overall commitment capacity of the ten Opec funds.

Over the past 18 months, those funds (including the ad hoc aid programmes of Qatar and the Libyan Arab Foreign Bank but excluding the Venezuela Investment Fund) have increased their total authorised capital to a massive 26.2bn to fund cumulative commitments which by the end of last year had already exceeded \$14bn.

Three other funding sources should be taken into consideration: the \$890m Arab Monetary Fund, which concentrates on balance of payment support and technical assistance programmes; the \$5bn Arab Special Fund set up in Amman in November 1980; and the \$3bn Islamic Special Fund

established by the Organisation of the Islamic Conference.

Of course neither the Islamic Special Fund nor the Islamic Development Bank (IDB) can participate directly in loans carrying interest rates. Nevertheless, this still leaves some \$30bn, which if matched up under the most conservative programme of \$2 per petrodollar would produce a staggering capital pool of almost \$100bn. This is equivalent to the average yearly value of euromarket loans since 1978.

For Talat Othman, general manager of the Saudi Arab Finance Corporation in Paris, this type of blending of funds appears even more likely now that his own group is actively involved in parallel financing. 'There are three major phases to go through before we can see fully fledged blending,' explains Othman, but at least the momentum already exists.

'We are now in phase one: funding certain projects supported by several Opec organisations. For instance, Al Saudi Banque offered guarantee facilities in the form of letters of credit to Mauritania to buy crude oil from the Gulf. The whole deal was in fact financed by the IDB. The management of the Mauritanian Iron Ore Complex also asked us to become their bankers while it is getting aid from the Kuwaiti Fund. Elsewhere, we

are providing guarantee facilities to import capital equipment for beneficiaries of the Arab Bank for Economic Development in Africa (Badea).'

In other words, parallel financing is only a preliminary step to actual co-financing and merely involves two or more institutions working separately without any form of coordination. The second phase, as Othman sees it, will come when Opec funds deliberately reduce their funding of a project to make room for commercial banks. This would still be parallel financing but of a more flexible type than Opec funding organisations have participated in during their programmes so far.

The third step would involve the introduction of the concept of co-financing for projects which command substantial funds but not to the extent of purely commercial ventures.

The concept of blending private and development funds is not a new one. The IMF concluded stand-by facilities for balance of payment purposes which, as far back as the 1950s involved commercial institutions. In the 1960s the World Bank and the Inter-American Development Bank offered participations to commercial banks at their fixed rate credits for development projects.



## the OPEC funds: the 1980 performance

(in billion \$)

funds	authorised capital 1981	total commitments		gross disbursements		net disbursements	
		a	b	a	b	a	b
Abu Dhabi	1,089.3	95.7	5.1	63.7	117.8	52.6	111.8
Arab Fund	2,826.0	76.4	32.1	82.4	12.9	72.8	9.9
Arab Bank for Economic Development in Africa (BADEA)	730.0	64.8	26.2	35.9	11.9	35.9	11.9
Iraqi Fund	670.0	258.1	—	—	—	—	—
Islamic Development Bank	2,249.6	39.6	399.7	23.7	376.2	23.7	90.0
Kuwaiti Fund	7,267.0	241.0	29.6	320.5	5.8	277.4	3.9
Opec Fund	4,000.0	217.8	33.0	120.9	30.0	120.9	30.0
Saudi Fund	7,310.0	254.2	—	339.4	—	316.4	—
<b>total (note 1)</b>	<b>26,141.9</b>	<b>1,247.6</b>	<b>525.7</b>	<b>986.5</b>	<b>554.6</b>	<b>899.7</b>	<b>257.5</b>
Arab Monetary Fund (note 2)	890.0	45.9	—	45.9	—	—	29.8

### notes

a: concessionary aid or grants

b: non-concessionary aid or loans

1: The total capitalisation should be boosted by two other special funds set up in 1980-1981, one of \$5bn established at the 1980 Amman Summit, funded by Iraq, Kuwait, Qatar, Saudi Arabia, UAE and managed by the Arab Fund and a \$3bn Islamic Fund financed by Kuwait, Qatar, Saudi Arabia and the UAE.

2: Full capital is expected to be paid by 16 January 1982.

### Arab Monetary Fund: \$890m available for balance of payments support and technical aid programmes.

The first mixed co-financing loan, between the World Bank and the Bank of America (as agent for a commercial syndicate of 16 banks), was completed in December 1975. The project was a steel expansion programme in Brazil for Companhia Siderurgica Nacional. The private syndicate provided \$55m, while the World Bank contributed \$95m.

The trend towards projects co-financed by western aid agencies and Opec funds will accelerate in the 1980s. According to figures compiled by the

OECD's Development Assistance Committee, between 1974 and 1979 some 250 projects, totalling \$15bn, were jointly backed by western technomoney and petrodollars.

Initially, co-financing was foreseen by petrodollar economies as a means of compensating for their lack of human resources. Then between 1974-1975 Kuwait started working on the establishment of an Arab fund coordination secretariat. The first meeting, attended by representatives from the Kuwaiti Fund, the Arab Fund, the Abu Dhabi Fund and the Saudi Fund, was held in September 1975. In 1976, the Libyan Arab Foreign Bank joined the secretariat, followed by Qatar in 1978 and the Opec Fund in 1979. The

secretariat now also includes the Islamic Development Bank and BADEA.

In 1975-1976 technical committees were set up to standardise basic documents including loan agreements, procurement guidelines and disbursement procedures. The most pressing issue concerned the Opec Fund procurement guidelines as these bore little resemblance to those of the World Bank or other western agencies. Western funds tend to attach conditions to their loans; for example insisting on having their nationals supplying goods and services.

In the case of petrodollar loans, the creditor puts the contract out to international tender and developing countries are given a

## OPEC official development assistance 1979-80

	disbursements (\$billion)		share of GNP (%)		share of grant components (%)	
	1979	1980	1979	1980	1979	1980
Saudi Arabia	2,297	3,033	3.01	2.60	62.1	86.7
Kuwait	1,055	1,188	4.09	3.88	74.3	87.8
UAE	1,114	1,062	5.87	3.96	97.2	86.1
Iraq	847	829	2.53	2.12	81.8	87.7
Qatar	277	299	5.89	4.50	97.0	99.5
Libya	105	281	0.45	0.92	100	97.9
Venezuela	82	130	0.17	0.23	100	100
Algeria	272	83	0.87	0.21	77.4	86
Nigeria	31	42	0.04	0.05	100	100
Iran	21	3	0.03	—	—	100
total	6,101	6,950	1.48	1.35	78.5	89.1

note: final figures from OECD Development Assistance Committee as set under their definition of aid. For instance, short-term trade financing carried out by the Islamic Development Bank is not considered as aid.

certain amount of preferential treatment. For example the IDB and the Kuwaitis accept a 10 per cent overprice margin for goods and 15 per cent for services. Even so, only some 10 per cent of contracts a year are awarded to LDCs.

The coordination secretariat's major innovation was the establishment of a common pipeline of projects. Twice a year fund representatives meet in Kuwait to compare notes and exchange ideas for co-financing deals. No similar structure exists among OECD countries, and as a result of bureaucracy, differences in approach and wide gaps in basic documentation have handicapped coordination.

Nineteen-seventy-nine was a boom year for co-financing, involving nearly \$7bn worth of projects, the percentage varying from fund to fund. Overall (between 1974 and 1979), of the \$14.4bn worth of projects co-financed by Opec and the OCED, \$2.4bn came from the

West and Japan, \$5.5bn from Arab funds and \$6bn from multilateral organisations.

The World Bank was the biggest financier (134 projects, worth \$4.2bn), followed by West Germany with \$800m (34 projects), France with \$500m (25 projects) and the EEC \$430m (31 projects).



---

## A MODEL SYSTEM TO UNDERCUT COMMERCIAL BANK TERMS

One technique that Arab funds could employ with commercial bank funds comes from the World Bank, on which the Kuwaiti Fund for Arab Economic Development originally modelled itself. The system works as follows:

- The euromarket practice of pricing loans on floating rate terms above Libor is put into effect. Floating rates already exist in Jeddah (Jibor), Bahrain (Bibor) and Kuwait (Kibor). Further financial integration, under the auspices of the Gulf Cooperation Council, among major Gulf donors could assist the technique;
- An optional cross-default clause in the loan agreement ties the credit to the borrower's obligations to the Development Fund. However, defaults have not been registered so far by leading Arab funds, which prefer to roll over, or carry over, their funding if the grace period turns out to be insufficient;

- The aid fund acts as the channel for repayments either directly or indirectly, thus offering greater security to private lenders;

- The commercial banks are given access to specialised feasibility studies and project analyses.

Moreover, the Opec Fund would offer continuing technical supervision of the project. But because of the tougher supervision requirements introduced by the commercial bank participation, this could strain the already poor human resources from which most Opec funds suffer. At the first stage, this could be implemented by triangular financing through the addition of western aid funds.

The Bank of America, which considers itself the leading commercial institution in co-financing, says that improved commercial terms for the borrower can take the form of longer grace periods, longer maturities and slight rate advantages. Citibank claims that co-finances which it has monitored have been  $\frac{1}{2}$  per cent to  $\frac{1}{4}$  per cent below the pricing that would have been used if the loans had been solely under commercial terms. It seems that guarantees are offered by the Opec Fund's presence, coupled with pressure from the Fund to fight for better terms on behalf of the borrower.

---

## EXPANSION: LEARNING THE RULES OF THE ABC

*Giles Masters reports on the worldwide expansion of the Middle East banks in the last decade, which has been brought about primarily by the establishment of overseas branches and banking subsidiaries and by acquisitions of western banks which have proven track records.*

---

The buzz went around New York this summer that American Express had agreed to sell its entire banking operations to the Saudi Arabians. American Express International Banking Corporation (AEIBC) was to be spun off from its parent as a result of the Amex takeover of the New York brokerage house Shearson, Loeb Rhoades. The purchaser was to be the kingdom's National Commercial Bank. In the 1960s,

such a story would have been ridiculed on Wall Street. In the 1970s the same story would have caused uproar and charges of Arab interference in the financial affairs of the US. In the 1980s, the report was both believed and the purchase commended as being eminently sensible for all the parties concerned.

As it turned out, the deal was called off in the very last stages of negotiations. Nonetheless, it

provides an intriguing insight into the way attitudes have changed in both the West and Middle East. New York's financial community was only too happy to see a major banking concern fall into the hands of a Saudi bank; the Saudis, meanwhile, were more than ready to consider such a prominent acquisition of an established US bank.

The expansion of Middle East banks worldwide in the last decade

has only come about through this change in outlook. In the early 1970s, there was a grudging acceptance on the part of the West that Arab banking funds might, as a last resort, be a fruitful source of dollars for a syndicated loan. Now, banks such as the Arab Banking Corporation based in Bahrain, head every invitation to join a loan syndicate and, more often than not, are the initiators of the loan. ABC has recently even lead managed a eurobond issue. It is this encouragement to become an active element in international banking that has led to their recent overseas drive.

This expansion outside the banks' traditional area of operation has taken many forms.

However, two forms of expansion stand out: the establishment of overseas branches and banking subsidiaries by means of internally generated growth, and acquisitions of western banks with a proven track record.

The recent announcement of the London opening of a branch office by the Arab Banking Corporation, with another branch office in New York, is a good example of the speed with which international Arab banks are expanding. Formed only last year by the governments of Libya, Kuwait and the UAE with an authorised capital of \$1bn, ABC has already become one of the prime movers in the euromarkets by introducing successful innovations to loan packages and by securing good relations with the western banks.

ABC's policy of swift overseas growth by means of self-generated expansion is in sharp contrast with that of Arab Asian Bank, an off-shoot of the Arab Malaysian Development Bank. Arab Asian was formed as an exempt company in Bahrain at the start of this year but startled financial circles in the City of London by successfully launching an agreed bid for the British banking, trading and finance house of United City Merchants. The bid was bold, since it was the first occasion in the UK that an Arab backed takeover had been made for a British finance

house. It remains one of only a handful of Middle Eastern bids for companies quoted on the London Stock Exchange. Once again, five years ago press comment and City reaction would have been unfavourable in the extreme, yet the Arab Asian bid received nothing but praise.

At almost the same time, perhaps the strongest example to date of the change in attitude to Arab banks took place in the US. On the afternoon when Britain's Midland Bank was given the final clearance to proceed with its acquisition of the Californian holding company which owned Crocker National Bank, a consortium of Arab investors received the approval of the US Federal Reserve Board to take over another US bank holding company, Financial General Bankshares.

At the time, it was the largest Arab acquisition of any single US company and signalled the Reagan administration's acceptance of Middle East control of US banks and companies. The Fed's decision has since led to the agreed \$2.5bn bid for Santa Fe International by the Kuwait Petroleum Corporation, and seems destined to lead to a spate of bank takeovers in the US by Arab institutions.

Almost four years ago, however, when the attempt to purchase Financial General first took place, there was a storm of opposition to the bid. Although the members of the consortium were prominent and respected individuals in Gulf banking and government, the Financial General board engendered fierce hostility to the idea of an Arab-controlled bank based in Washington.

The head of the consortium was Sheikh Kamal Adham, former director-in-chief of Saudi Arabia's central intelligence agency, together with Abdullah Darwaish, financial adviser to the royal family of Abu Dhabi, and Faisal Saud al Fulaij, one-time head of Kuwait Airways and the current head of the Kuwait International Finance Company (KIFCO). Each man represented funds from his own country. Investors from Saudi Arabia, the UAE and Kuwait were also involved.

Had the bid been blocked by the US central bank after the 15 months of deliberation required before the Fed announced its decision in September, hopes of encouraging Arab investment and banking expansion in the US would have suffered.

Earlier in the year, however, the Financial General board had withdrawn its opposition to the consortium bid and urged the bank's shareholders to accept the offer. The Fed's decision to allow the bid to go ahead was the first open indication of the new administration's feelings towards Arab investment (though under the US constitution the Fed is in principle independent of the president) and contrasted with the two moratoria on foreign bank takeovers imposed under Carter after the 1980 Arab acquisition of banks in Arizona and Detroit.

The decision could not have come at a better time for New York, which is soon to launch International Banking Facilities (IBFs). These are the US equivalent of Bahrain's Offshore Banking Units, and will be able to operate in the euromarkets directly from New York without being subject to domestic reserve requirements and interest rate controls. The establishment of IBFs has been on bankers' agenda for many years. As of 3 December they will be allowed to commence operations, competing with London banks for a valuable share of the eurocurrency markets.

US banks will be allowed to set up independent and separate IBFs, but the Arab banks in particular are setting up or expanding operations so as to take advantage of the new laws. Gulf International Bank has been gearing up for the expected flood of loans and new issues by recruiting new staff, while Saudi International Bank has also been expanding its presence in New York over the course of the year. While bankers disagree over the threat offered to London by offshore banking in New York, it is clear that the Arab banks expect to be at the forefront of any new banking activity in western financial markets.

## DMI: THE HALAL ALTERNATIVE

*Banking in the Middle East has always raised cultural and moral questions as well as financial ones. Only now, however, have viable Islamic alternatives to the western system taken hold. John LeRoux reports on their growth and prospects.*

Could a merger of traditional and Islamic institutions become a landmark of Middle East banking in the 1980s? That is what Dr Yusef Salman al Fadel al Sabbagh, a distinguished Kuwaiti economist teaching at the Geneva-based Centre for Education in International Management (CET), foresees for the end of the current decade. 'With the actual growth experienced on both sides of the fence, it's bound to happen,' says Dr al Sabbagh, who is working on a new book covering major new trends in Middle East finances.

But could 'riba' (interest or usury) and 'halal' (authorised by Islam) institutions really share their growth? Dr Mustapha Nour, vice-president of Dar al Maal al Islami, claims it is possible, and points to the experience of Bank Misr which opened up seven very successful branches in Egypt operating under the strict Islamic rules, though its overall activities are based on interest.

With combined assets exceeding \$200bn, the 100 largest Arab riba-oriented banks are way ahead of their Islamic counterparts. Moreover, the whole issue of applying the Sharia to finance has become a sensitive and controversial one in the Middle East. Ironically, the experience of Islamic institutions has mostly drawn attention and curiosity from western bankers, while most Arab financiers scorn the whole concept as 'backward'. This has made the credibility gap even greater.

But although halal institutions are, as yet, largely a thing of the future with Saudi Arabia refusing to issue an operating licence to an Islamic commercial venture until it can prove that the system is a reliable alternative to the better-known riba concept, the halal movement has, since 1977,

gained tremendous momentum throughout the Muslim world. Fourteen Islamic institutions established in Kuwait, Bahrain, the UAE, Jordan, Pakistan, Egypt, Sudan and London, together with the Jeddah-based Islamic Development Bank (more a channel for aid than a profit-oriented institution) and the newly established Dar al Maal al Islami (DMI or Islamic House of Funds), have total assets easily in excess of \$3bn.

Aside from their commercial activities, which are carried out through five out of 36 recognised Islamic financial instruments, the Islamic movement's source of strength lies in its depositors, most of whom have never dealt with a riba institution. 'Less than five per cent of Egyptians have accounts with traditional banks simply because there is an overall resistance to accept the unlawful riba,' says Dr Mustapha Nour. Prince Mohammed al Faisal al Saud, son of the late king and founder of DMI, refers to widespread hoarding throughout the Middle East as proof that the riba system is considered unfit for Muslims. Estimates of hoarding made a few years ago by the Riyadh-based International Association of Islamic Banks range from between \$12bn for Saudi Arabia alone and up to \$40bn for the entire Middle East.

The real 'performance test' for Islamic bankers will come during 1982-1983 with DMI rushing to establish a world-wide Muslim network of banks, investment companies and solidarity (insurance) funds to convince Saudi monetary authorities that the system is workable and can reliably manage petrodollar surpluses seeping through the social layers of the Arabian

Peninsula. Yet DMI, through its would-be 100 per cent Islamic Investment Company affiliate (scheduled to be absorbed in January 1982) is the only foreign institution allowed to advertise and mobilise funds inside the kingdom without any official licence.

Its 'investment trusts', known as 'modarabas', are the only instruments officially sanctioned by the Organisation of Supreme Scholars of the Kingdom of Saudi Arabia, under the chairmanship of Sheikh Abdelaziz bin Abed Allah Bin Baz on 23 February, 1981. The concept had been approved in September 1978 by the more liberal al Azhan Council of Scholars in Cairo. Offices supervised directly by Prince Mohammed al Faisal are now expanding fast throughout Saudi Arabia.

Registered as a trust in the Bahamas on 27 July, 1981, DMI is aiming for a minimum paid-up capital of \$310m by 1 January, 1982, shared as follows: \$180m collected so far from private subscribers known as 'founders', who include Pakistani President Mohammed Zia ul Haq, Malaysian deputy head of state Tuanku Abdul Rahman, the emir of Bahrain Sheikh Isa bin Sulman al Khalifa, Sudanese President Jaafar Numeiri, Prince Abdallah al Faisal al Saud, Prince Saud bin Abdel Rahman Alturki al Sudani, and Prince Majed bin Abdelaziz al Saud; \$60m from the takeover of the Islamic Investment Companies, and the balance from public subscription which, by early October, amounted to \$35m.

Officially, the 1981-1982 financial year was originally planned to yield the establishment three investment companies worth \$5m each in authorised capital, a European Islamic Bank worth

\$50m to be set up in Geneva, and one consultancy company worth \$2m. But recent official visits made by Prince Mohammed and the top management of DMI to Senegal and Guinea brought a flurry of invitations to set up affiliates elsewhere in Africa and Asia.

In Guinea, for the first time since independence, the government has allowed a foreign financial group to take a majority position (51 per cent) in three institutions: an Islamic bank, an investment company and a solidarity fund, with a combined capitalisation of \$30m. Moreover, despite strict foreign exchange controls, DMI is soon to launch a public subscription for \$2m. DMI shares will be held under trusteeship by the Central Bank, which will then issue owner certificates to shareholders inside the country. As for payment of DMI dividends, the Central Bank will pocket the dollars and issue the equivalent amount in 'silly' currency ('elephant' in the sousou language). When and if shareholders want to liquidate their DMI holding, the reverse operation will take place, thereby dealing with the obstacle of foreign exchange controls.

Guinea will be the first Muslim country to host DMI subsidiaries. So far, official invitations to set up similar affiliates have been made by Benin, Niger, Mali, Morocco, Nigeria, Mauritania, Turkey, Sri Lanka, Brunei and Bangladesh. In addition, a visit to Pakistan and Malaysia are planned for next January for the official signing of documents.

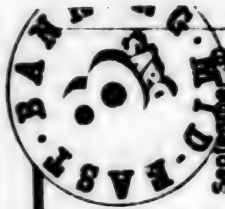
Dr Ibrahim Kamel, DMI's executive vice-president, anticipates that the expansion plan will, in fact, move much faster than

forecast in the private and public prospectus. Beside Guinea.

DMI-controlled institutions could be established in at least four countries and possibly up to six by early 1983 — Bahrain, Qatar, the UAE, Morocco, Mauritania and Pakistan. Already, the Muslim community of Australia has processed all the required documents enabling it to launch its own Islamic Investment Company, with a 51 per cent DMI participation, within a few months.

By year-end, DMI is expected to have well over \$500m under its management, of which \$370m will come through its eight modarabas (including the monthly institutional trust), \$70m of which will come from subscription, channelled in the fourth modaraba, and \$180m from the remaining public and private subscription. Thanks to a steady stream of deposits, mainly from Egypt and the Gulf, modarabas managed by the Islamic Investment Company (IIC) are growing by \$20m a month, Mustapha Nour claims. At such a rate, accumulated assets and trust funds could swell easily to the \$1bn mark by late July 1983 — the end of the second full operating year — if not by late 1982, depending on how fast DMI can spread its international web.

The next year and a half will thus be crucial for DMI. It is the only Islamic institution with a religious board, whose decisions determine the group's activities. It remains to be seen whether it can compete in size with such *riba* institutions as Arab Banking Corporation (ABC) or Gulf International, two government-sponsored vehicles which aim to lead a major consolidation drive among Middle East banks.



### how much 'going Islamic' can yield for your investments

(annualised rates for 1981 on % basis)

Moderabas	Investment outlet	date of issue	April 30	June 30	July 31	August 31	September 30
first (fixed term: 3 years)	commodities, currencies and leasing	1.1.79	12.65	7.60	14.01	13.84	14.95
second (fixed term: 5 years)	fully hedged positions in commodities and leasing	1.5.79	10.95	9.84	12.90	12.75	13.27
third (fixed term: solidarity product)	same as second but more secure positions and leasing with top grade world corporations	1.10.79	8.85	11.50	11.55	11.43	12.23
fourth (current account in US \$ Saudi Riyals Kuwaiti Dinars Qatari Riyals UAE Dirham)	fairly open to various outlets including trade financing	1.2.80	11.58 16.83 19.17 12.16 12.65	8.25 14.61 25.93 8.31 7.87	15.87 16.59 21.05 15.81 15.67	16.63 20.08 17.22 16.67 17.05	12.96 12.82 10.53 13.15 13.03
fifth (fixed term: fifth one year)	as in first Moderabas	1.2.80	8.61	1.52	11.20	12.54	13.14
sixth (fixed term: three years Saudi Riyals)	as in second Moderabas	1.12.80	12.45	21.89	10.45	15.90	13.60
seventh (open-ended) monthly	close to third Moderabas	1.12.80	11.58	11.50	16.85	16.80	12.96
institutional	US \$	—	—	15.62	16.24	15.53	15.04
	Saudi Riyals	—	—	18.20	13.43	12.80	12.62



## TAKING ON THE WEST AT ITS OWN GAME

*The western banks' halcyon days in the Gulf are now over, reports Adrian Fellows, as Arab banks like ABC and GIB surge into major standing.*

'There is an uneasy quiet about the American banks in Bahrain these days,' says a senior executive from a large US company, who is a frequent visitor to the Gulf. 'It's as if they had been upstaged, and don't know what to do next.'

Few western bankers would agree with such a statement about their operations in the Middle East. But the feeling outside the overseas bankers' clubs is that the days of high growth for the British and US banks in the Gulf are long gone — and that the competition for business, and for the Arabic-speaking executives to conduct that business, is becoming stiffer.

Arab governments are investing more of their own funds directly in the West now, of course. Inevitably, they are setting up more sophisticated banking institutions to handle their deposits. The immediate losers in this process are the British and American bankers, who in the past have been the financial intermediaries between western users of funds and those providing them in the Middle East.

It is important to realise just how fast this turnabout is taking place, for the US banks in particular. Formerly, the US commercial banker in the Gulf was offering security and technical expertise. The security was there for governments and individuals wanting to deposit money with a New York bank and know it would be safe. Funds could be wired around the world discretely and efficiently, free from political risk and protected from the vagaries of any borrower who might be in need of a loan.

If the funds were to be lent on to a third party, that was the bank's

affair so long as it preserved and paid the appropriate interest on its deposits. This was where the institution's technical expertise was essential. It was for the bank, with its decades of experience, to assess borrower credit-worthiness, or to look to the complexities of a tight loan agreement, or to read foreign exchange or money-market trends correctly.

Close links would sometimes be built up between a particular ruling family and an individual bank, as between the late Shah and Chase Manhattan Bank. But ultimately Middle Eastern depositors were relying on the ability of the US banks to look after their money and not to make mistakes.

The US banks lost a big slice of their Middle East business after the 1979 Iranian revolution. But they lost far more in terms of their Middle East credibility that November, when President Carter had Iranian assets frozen not only in the US but, more ominously, in the overseas branches of all American banks. The shock waves were felt throughout the Middle East: if one US president could so easily impound the deposits of a single oil producer, could another do the same to other oil producers' money?

The answer was yes, and the US banks in the Gulf have been living with that realisation ever since: one of their main selling points, security, was no longer assured. The banks themselves were helpless to defy the laws and the decrees of their own government.

Though the likes of Citibank and Chase Manhattan, which has long had good relations with institutional depositors in key Gulf states, valiantly argued that their non-Iranian depositors would still be as well protected as in the past, a massive switching of funds began. New international deposits were placed, not with US banks, but with European (and especially Swiss) and Arab institutions. The security argument was not accepted.

Nor, indeed, has the banks' offer of technical expertise been accepted as a selling point since

then. Quite simply, the Arab banks have learned to do what was previously thought the western institutions' sole prerogative.

In the last two years, Bahrain's Gulf International Bank (GIB) has surged forward. It has not only increased its deposit-taking: it has become one of the key lead managers in the syndicated eurocurrency markets. Last year GIB doubled its balance sheet, taking its assets to \$2.9bn.

GIB is owned by the governments of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, and has been competing with the western banks in their own markets as well as in the Gulf. Recently it announced an increase in its capital from Bahrain dinars 68m (\$180m) to BD100m (\$265m).

The growth of the Arab Banking Corporation (ABC) in Bahrain, with assets now near \$5bn, has also given the US banks pause for thought. Owned by the governments of Libya, Kuwait and Abu Dhabi, ABC has been an aggressive participant in both the eurocurrency syndicated loan and bond markets. It was established, moreover with the clear intention of competing in size with the western banks.

'Another year, and ABC will be able to do anything we can do,' one American banker admitted recently in Bahrain. Though ABC has been in operation for barely a year, some suspect that it can already hold its own with the US banks in all aspects of commercial banking.

Before the freezing of Iranian assets, ABC did not even exist. Both GIB and Al Bahrain Arab African Bank had but a fraction of their present world banking clout. Equally, institutions like the National Bank of Bahrain, which concentrate specifically on the Gulf markets, were still recruiting their teams before November 1979. Now they are fully operational — and the US banks, for the first time since they displaced the British as the leaders in the Gulf, are learning the

meaning of competition.

The two years since the Carter freeze have seen US banks in the Middle East suffering from the trend away from western banks in international markets. They have also seen some major shifts of opinion by states in the region on the question of outsiders providing banking services in the states' own domestic markets.

The formation of state-owned international consortia, like ABC and GIB, is only one part of the move away from the western banks. Nowhere is the policy of promoting national banks at the expense of overseas rivals more clearly seen than in Saudi Arabia: Riyadh's legislation to put foreign banks operating in the kingdom under local ownership most affected the US banks, who had very profitable Saudi branches.

Citibank was hit especially hard by Saudiisation. In spite of some heavy lobbying against the proposed form of nationalisation of the foreign banks, in 1980 Citibank had to yield its pre-eminent position for a 40 per cent holding in a new joint venture.

The name of Citibank does not appear in this new entity at all. Saudi American Bank, as it is now known, is run by Citibank under a management contract — but

control rests firmly in Saudi hands.

Like Chase Manhattan and Banker's Trust, Citibank now runs its Middle East operations from Bahrain. Saudi American, meanwhile, is booming, and the year following its formation in July 1980 saw its loan book increase by 69 per cent, with total balance sheet footing of \$3.2bn.

In Bahrain, Citibank is said to have a team of 40 active marketing staff covering Saudi Arabia to keep its image independent of Saudi American. Whatever the truth of such claims, Citibank is the largest of the US banks with a presence in Bahrain and has over 150 fulltime employees.

How long Citibank will be able to retain its strength in the Middle East is hard to assess. Having lost Saudi Arabia last year, the bank's holding company, Citicorp, was treated to the further indignity of publicly losing at least \$4.5bn of Kuwaiti governments funds under management in New York to Morgan Stanley. A further \$3bn was also rumoured to have been transferred from Citicorp to Chemical Bank, though this has not been admitted by Citicorp.

Such a heavy loss of funds, representing at least 20 per cent of those under its management, contributed to the bank's down grading by the Standard and Poors

rating agency from Triple A to Double A Plus. This can scarcely have added to Citicorp's standing in the Gulf. With harsh words in public by Kuwait's finance ministry and a second-quarter drop in worldwide profits of 40 per cent, so far 1981 has been a difficult year for Citibank.

Yet while Citibank's plight in the Middle East has been one of the more noticeable cases of US banks suffering from competition, it is far from an isolated one. Three years ago, most banking-sector executive search mandates (i.e. headhunts) in the Middle East might have been expected to be for western institutions. Now they are in a minority, as indigenous banks recruit to deal with their growing business.

Even in Bahrain, which in the late 1970s saw a flood of western bankers adding to the established presence of Grindlays, the British Bank of the Middle East and Chase Manhattan, few of the US banks are now recruiting in large numbers.

For the foreigners, the expansionary period of Middle East banking is over. From now on, the growth is going to come from Arab banks, doing Arab business at home and overseas. Such is the verdict of a young Arab banker.

## BAHRAIN GOES AHEAD ONSHORE AND OFFSHORE

*NIGEL ASH analyses the burgeoning bank activity in Bahrain, as the Monetary Authority continues to attract foreign business.*

In most national capitals, taxi drivers know where to find you a good time, a hotel or an airport: in Manama, Bahrain they seem to possess an encyclopaedic knowledge of the whereabouts of banks. There are more than 160 of them. The greatest concentration is in Government Road in the city centre, where it often seems easier to get a loan than a packet of cigarettes.

In 1932 Bahrain was the first country in the Gulf to strike oil. Everyone on the island knows that within a few years it will also be the first place in the Gulf to find that oil has all gone. The government hopes that the island's future will then lie in the rich wells of international and regional finance which it will tap through an aggressive and successful concentration of offshore banking.

These banks have been permitted in Bahrain since October 1975. To date there are nearly 70 of them. In return for an annual licence fee of under Bahrain dinars 11,000 (\$29,000), the banks are permitted to operate with no tax on their profits, no forced maintenance or reserves locally and no enforced liquidity ratios. Such a climate soon attracted outside bankers. The Bahrain Monetary Authority allowed established commercial banks on the island to set up their own offshore banking units (OBUs).

The condition for all the offshore operators is that their business must be non-resident. It was inevitable that the big European and US banks would set up offshore facilities, but the Bahrainis have sought also to

attract banks from the Far East, in particular India, the Philippines, South Korea and Japan.

One of the surprises about the Japanese is that only the Bank of Tokyo has taken up an offshore licence. It received its first approval in 1980. Other Japanese banks like, Mitsui, Mitsubishi and Daichi Kangyo, have been content to operate representative offices.

Considering that Japanese trade to the Gulf region this year is expected to exceed \$10bn and about 40 per cent of all bills require yen settlement, the tardiness of the Japanese big banks to move into Bahrain's lively offshore sector may seem surprising. However, one US banker commented: 'The Japanese are cautious, which some might say is no bad thing in banking, even offshore banking. They open their representative offices and then spend a year just watching, seeing how things work, getting to know the market's weaknesses and strengths. When they think they know enough, they will prepare their plan of action. I anticipate that when the Japanese name plaques start going up, they are going to lock into a lot of business with a lot of speed.'

The Japanese banks are mostly refugees from Beirut. Like many other moneymen, they waited a long time to see if the strife that divided the Lebanon would subside. The imminent Japanese commitment to Bahrain would seem to confirm their final despair of the Lebanese capital.

But, whatever effect the Japanese will have when they begin to operate in strength, there is no doubting the remarkable impact of the Arab Banking Corporation (ABC) on the island's offshore activities. This mammoth bank, with \$1bn (\$750m paid up) capital, was established as a Bahraini joint stock company by special emiri decree on 17 January, 1980. Its equal shareholders are the Abu Dhabi Investment Authority, the Libyan Secretariat of Treasury and the Kuwaiti Ministry of Finance.

Though ABC has state backers, it is not another regional pan-Arab institution with hazy objectives,

but a commercial heavyweight dedicated to carving itself a position in international markets and demonstrating that the Arabs can make their own money work for them. The man most responsible for establishing ABC is a 44-year-old Libyan, Abdulla Saudi, who during the late 1970s steered the Libyan Arab Foreign Bank from a position of relative financial obscurity to a small empire, running more than 20 subsidiaries, affiliates and associated institutions in 15 countries.

As president and chief executive of ABC, Saudi says his bank is guaranteed free of political constraints from any of his three state backers. Though some US bankers in Bahrain still expressed doubts about the Libyan connection, those with no political axe to grind against Tripoli seem convinced that ABC is going to be what it says it is.

All the same, a year ago, Saudi's problem was to show the international banking community that ABC meant business. He said: 'We were born big, but we are still young.' He solved the difficulty of launching an unprecedented thrust into the international syndicated loan market, and gained for himself almost immediate status as one of the euromarket's most aggressive lead managers. At the end of the first half of this year, ABC stood seventh in lead managerships. It has now led, managed or co-managed \$15.3bn in syndicated loans.

Saudi achieved his objectives. He put ABC on the map, styled as a 'bankers' bank'. He told *8 Days*: 'We have the muscle and we started by having a good capital base. You find a lot of Arab investors who lack experience and are tired of dealing with brokers. They would much prefer partners to brokers. With a small capital you can't get partners, but you can do it with the capital of ABC.'

Saudi shows a deep distrust of the way western banks operate on little-changing financial bases. He believes many of the 'big ticket' banks are seriously

undercapitalised. 'In 1970 the eurodollar market was worth \$100m. Today it is worth \$450bn. Well, I didn't see a change in the capital structure of the big banks. They just spread the load.' That, believes Saudi, is not the way to do it.

This year, the US magazine *Institutional Investor* chose Saudi as one of their bankers of the year. But they did point out that there was more to banking than syndicated loans. This reservation has been expressed elsewhere. June 1981 figures, just published by ABC, show that since year end 1979 total assets have risen from \$1.952bn - \$3.457bn while deposits have moved from \$1.498bn to \$2.540bn over the same period. Abdulla Saudi makes the point that around 42 per cent of his deposits come from foreign international banks.

The problem for ABC watchers is the limited funds that the bank has put out for loans and bonds, just \$877m to 30 June 1981 (from \$296m at 30 December, 1980). This represents only 25 per cent transference. Saudi, with his conservative attitude towards capitalisation, told *8 Days* he sees no weakness in this low lending profile. 'We make money on interbank money markets,' he said. Indeed, at the moment there is probably more money to be made from medium-term interbank deals than straightforward loans. But ABC's critics say that simply playing the money markets makes the house seem more like an investment company than a bank.

Saudi says he knows what people say and he also knows they are wrong. ABC is a banking giant and as it takes on more expertise, it will expand its role until it is unquestionable and potent. In

January 1982 the bank will open offices in New York and London. In the latter Saudi is confident the Bank of England will approve ABC for exchange dealings. Sometime later next year the bank will also start operations in Singapore.

At the other end of Bahrain's banking spectrum are the medium-size workaday commercial banks, most of them with offshore affiliates, who are responsible for the basic and no less important financial wellbeing of the island economy.

The National Bank of Bahrain (NBB) will be celebrating its 25th jubilee on the island's national day on 16 December this year, though its real birthday isn't until next January. It was Bahrain's first-ever limited company. It now has 16 Bahrain branches which control 30 to 35 per cent of local business. It plans for itself a growing role in the rest of the Gulf and is soon to open a branch in Abu Dhabi. It was granted an OBU licence last June and has so far lead-managed 11 deals worth \$224m and managed, co-managed or participated in 20 other syndications worth a total of \$1.957bn.

The 1980 accounts show assets of BD297.332 (\$788m) and a net operating income of BD4,795m. It is a healthy, ambitious but careful organisation, which is intent on training Bahrainis. The bank's two 'bibles' — a credit policy and an operational manual — were astounding in their comprehensive and thoroughly clear detail.

As one of the island's leading local banks, NBB recently organised the first loan documentation seminar in Bahrain, attended by 45 banks. It is negotiating with Visa to produce a local charge card, but in Bahrain cheque cards do not exist. As one banker pointed out: 'If anyone

bounces a cheque on you, you have only to go to the police and prove it's a dud and then the person who owes you will be put in jail until the money is paid.'

Yacoub Yousef Mohammed, one of the bank's assistant general managers, told *8 Days* that domestically, NBB's prospects for growth were limited by the small size of the market. It might well increase its share of local business, but the profits were nothing compared to regional potential. NBB customers are charged eight per cent for personal credit and receive three-and-a-half per cent on normal savings accounts. However timed deposits yield 10.5 per cent up to 12 months.

'The Gulf Cooperation Council (GCC) has opened the doors for expansion by banks such as ourselves,' says Mohammed. 'We have already started in Saudi Arabia with structured facilities, syndication and contractor financing. We are also looking at Kuwait, the UAE, Qatar and to a lesser extent Oman for new business.' Mohammed concedes that in time Bahrain's bankers may also be able to deal with Iran, but that will not be for at least ten years. 'It is important that we remain neutral,' he said. The political and sheer practical problems of dealing with anyone in Iran rule out relations between any Arab banks and that country in the near future.

Viney Sawhney, NBB's manager of syndications and regional marketing, believes that one of the areas where the bank will be able to establish itself is in funding for marine ventures. 'There is a very real lack of offshore supply craft for rigs in the Gulf. We have studied the problem and have the money available to fund people who want to enter into this area.'



## KUWAIT LIVENS UP THE MARKETS

*Future generations in the Gulf states will not have the vast oil reserves of today. Kuwait's dynamic new finance minister is already planning for that future and startling financiers, says Piers Montondene.*

'Kuwait could use a more exacting and professional approach to the management of its money. And it looks as though it will get it.' The closing sentences of *Institutional Investor's* profile of Kuwait's new finance minister, Abdullatif al Hamad, have an almost prophetic ring to them. When the profile appeared, in August, the minister had hardly been given time to get his kness under the desk, yet already it was clear that he would shake up his country's bankers throughout the world as nothing had shaken them before.

Within a month of the article hitting newstands in New York, Citicorp had been fired as one of Kuwait's investment managers. It was admitted that \$4.5bn had been transferred to investment bankers Morgan Stanley, and another \$3bn was rumoured to have been moved to Chemical Bank. Since that time, Kuwait's other investment managers have been trying to out-perform the stock markets as if there was no tomorrow. 'For some of them, there won't be a tomorrow unless they shape up,' is the comment by an official leaked from the ministry of finance in Kuwait.

At the end of 1980, \$60bn worth of foreign assets were tied up in the form of deposits and investments somewhere in the West, owned by the Kuwaiti government. Yet, according to official western figures for 1980, Kuwait's \$60bn in foreign assets earned the country only \$6bn in investment income. This is despite direct investments ranging from Mercedes Benz shares to London property development and, reputedly, five per cent of the top hundred equity stocks in the US. In the year in which interest rates hit record high levels in the US and Europe, and when US prime was above 20 per cent at the end of the year, a bare

10 per cent return on investment seemed perhaps a little thin.

This was clearly the feeling of Kuwait's new minister. The new official policy was to turn over as much as five per cent of Kuwait's holding every week in order to take profits and improve the portfolio, rather than merely invest and forget about the holding. Furthermore, more money was to be placed into US equities at the expense of certificates of deposit and bonds, on the assumption that any up-turn in the US economy would see immediate capital gains for shares in carefully selected industry sectors.

When rumours of the new Kuwaiti policy of active rather than passive investment in the US first began to filter from the investment banks at the start of the summer, they were generally discounted. The 'Green Monday' syndrome, as it was known, did not accord with Kuwait's former policy of holding shares long term as an overall hedge. The idea of churning stocks and pumping up the stock market sounded too much like the plot of 'Green Monday', in which a mysterious Gulf state engineers a stock market boom in order to double its investment. Yet the leaks in the US press about the differences of opinion which led to the dismissal of Citicorp have all the makings of a financial thriller.

Within days, another manifestation of Kuwait's new and aggressive policy for its overseas investments appeared — a massive takeover bid for one of the largest oil drilling companies in the US, Santa Fe International. Ostensibly, the \$2.5bn bid is being launched by the Kuwait Petroleum Company,

but commentators in Kuwait see the hand of Al Hamad behind the deal. If successful, it will be by far the largest takeover of any company by Middle East interests, and will turn KPC into an international oil major. It will even own a stake in Britain's North Sea Thistle oil field, as well as having oil and gas drilling rights and expertise.

The 38-year-old finance minister studied both in California and at Harvard before returning to Kuwait to embark on a career in investment banking. For above all else, Al Hamad is an investment banker. Unlike his predecessor, Abdul Rahman al Atiqi, who in his 15 years at the ministry of finance saw Kuwait develop from a small provincial state with only one first class hotel to a financial giant in the world's capital markets, Al Hamad comes from a generation which has been forced to put a great deal of money to productive use outside the country. He also has first hand experience of running an investment bank successfully and efficiently.

Al Hamad was managing director of the Kuwait Investment Company in the 1970s, and changed it from a sleepy fund for surplus government cash into an active international merchant bank. He went on to reform the Kuwait Fund for Arab Development, modelling it on the better parts of the World Bank and introducing project financing and, effectively, co-financing with other sources of funds.

Now Al Hamad is running his country's portfolio, the same form of sweeping dynamism has already become apparent: nor is it confined to the international arena. When



KIC's profits fell early this year, soon after the parliamentary elections in March and Al Hamad's appointment as finance minister. he proposed a cut in the dividend. This led to the resignation of the KIC chairman since dividend cuts are unheard of on the Kuwait stock exchange. Yet the market pushed the KIC shares up from KD5 (\$17) to KD11 (\$38) upon the announcement of the resignation: sound banking had overcome expediency, and this was something the local stock market could appreciate.

How the rest of the world will react to Kuwait's new investment policy remains to be seen. By the end of this year Kuwait will have more than \$75bn in foreign assets, according to the revised estimates for the 1981 current account surplus. That is a great deal of money, by any standards, freely

available for investment. A fundamental move away from passive investment in five per cent holdings or less, in blue chip stocks in Britain and the US, to a policy of churning stocks for quick profit on the one hand while gaining control of industrial giants on the other, will have turned Kuwait's finance ministry into an industrial holding company from merely an investment fund.

Perhaps the reasoning behind Al Hamad's philosophy of active participation stems from the surplus assets themselves. The Kuwaiti government strongly believes that its oil wealth should be held in trust for future generations who may see the oil run out and have to find a new national livelihood. In other words, Kuwait is investing for its future: which will require trained manpower as much as money.

CSO: 4400/69

## INTER-ARAB AFFAIRS

### VARIOUS NEW ARAB AID PROGRAMS FOR TUNISIA DESCRIBED

Paris AL-MUSTAQBAL in Arabic No 242, 10 Oct 81 pp 51, 55

/Article: "Economic Relations between Tunisia and the Arabs: Success on All Fronts, Development in Every Field"

/Text/ Tunisian-Arab relations are good on all levels and in all directions! This is underlined by the enduring calm on the political front between Tunisia and every Arab country, and also by the growth and development of economic and financial relations between Tunisia and most Arab countries.

While moving the Arab League to Tunisia and approving Tunisia as its temporary headquarters in 1979 helped cool down relations between Tunisia and some Arab countries that had previously been tense and helped strengthen Tunisia's good relations with other countries, that has all helped open the door to broad financial and economic cooperation between Tunisia and the other Arab countries, now that the general political climate has provided all the ingredients for unleashing and releasing possibilities to engage in such coordination and benefit from their opportunities.

Within this general outline, the past few weeks contained some developments which were new in themselves and some that rounded out and consolidated previous steps.

#### Toward Algeria

In the context of North Africa, Tunisia signed three financial, technical and cultural cooperation agreements with its brother and neighbor Algeria, in final form, in the following framework:

1. The first agreement stipulates the establishment of a joint Tunisian-Algerian investment bank with capital of \$40 million that is actually to start operation at the beginning of next year. In particular, the bank will participate in financing projects to develop border areas and finance joint or individual development projects in both countries.
2. The second agreement calls for the establishment of an Institute of Public Finance in Algeria. The institute's purpose is to prepare and train Tunisian and Algerian staffs in the sciences of public finance. In exchange, there will be another institute in Tunisia specializing in preparing and training Algerian and Tunisian staffs in the banking and insurance sector.

3. The third agreement calls for the establishment of a joint Tunisian-Algerian organization for youth care, which will engage in financing sporting, cultural, and social activities in the two countries and expanding exchanges of delegations and visits among young people.

These agreements between the two countries are not new; their authorities had concluded all of them a few months ago. What is new, however, is that the preliminary agreements have evolved into final ones and that the final agreements will very soon enter the stage of actual execution. That calls for total satisfaction, especially since the atmosphere in many bilateral and multilateral Arab relationships in the past has resulted in the abrogation of preliminary agreement rather than their evolution into final ones.

The signing of the agreements in the first week of September, during the visit Tunisia's prime minister, Muhamed Mzali, made to Algeria, as part of the visits he exchanges with his Algerian colleague Ahmed Abdel Ghani every 6 months, leads one to expect further accomplishments during the Algerian prime minister's next visit in February 1982.

#### Toward Libya

A week after the signing of these agreements with Algeria, the Tunisian authorities signed a new agreement with their counterparts in the Libyan Arab Jamahiriyah for economic cooperation between the two countries. This is considered a complement to and a development of previous agreements signed by the two of them in 1973, 1977, and 1979.

The new agreement includes a number of sections and contexts, as follows:

1. In the industrial context, the agreement calls for the formation of committees to study possibilities for achieving industrial integration between the two countries, especially in the sectors of phosphatic fertilizers and petrochemical industries.
2. In the context of transport and communications, the agreement calls for efforts to increase and expand the system of land routes between the two countries and formation of a committee to revive the project of a joint shipping company. It also calls for consolidation of telephone lines and telecommunications.
3. In the realm of electricity, the agreement calls for steps to link the Tunisian and Libyan electricity grids in a manner that will enable the two countries to benefit from the surplus of each in a continuous fashion and from the acceleration in the process of bringing electricity to various areas and developing these areas.

The important aspect of this agreement does not just lie its contents and the different aspects of cooperation it contains but also, in the first place, the fact that it will revive projects between the two countries that ought to have seen the light of day at a previous period, and would have done so had it not been for narrow political vision or other preoccupations.

#### Also toward Qatar

At the same time, the Tunisian authorities signed a preliminary agreement with Qatari authorities to establish a bank as a joint venture with Qatar and France,

30 percent of whose shares would be distributed to Qatar and France, each, and 40 percent to Tunisia.

Among the information being circulated on the agreement (which has not entered the stage of execution pending its final signing by the authorities of the three countries) one may observe the following:

1. The proposed bank will be one of a series of investment banks which Tunisia has formulated a plan to establish; the first of these was established by agreement with Kuwait (with capital of \$250 million), followed by a second by agreement with Saudi Arabia (with capital of \$250 million). Now comes the turn of the third bank.

2. It had been planned that this third bank would be established as a joint venture among Tunisia, France, Iraq and the emirates. It appears that the circumstances of the Gulf war between Iraq and Iran have prevented Iraq from following up on its interest in the project, and the emirates' failure to take part in this bank may be explained by the fact that it was just a prelude to another project between Tunisia and the emirates similar to the venture between Tunisia and Kuwait and Saudi Arabia.

3. The capital of the new bank has not yet been determined but it is understood that that will be within the range of \$100 million. That is much less than the capital of \$250 million originally planned for, to which the former French premier Raymond Barre had declared France was committed and would have a share. However, it appears that economic and financial developments in France, the additional burdens they have imposed on the regime and the regime's desire to orient French bank activities in new directions have prompted the government of Mitterrand, in the person of the minister of economy, Jacques Delors, to request a reduction in the value of its contribution and to request that the entire capital be reduced so that France's share of the bank's capital could continue to be suitable and significant. This is the way it has turned out.

Whatever the new bank's capital might be, the important thing about it is that it has added a new country to the network of banking ventures with Tunisia, while allowing it to retain the opportunity, in the near future, of participating with another potential partner, the emirates, and in the medium range the opportunity of participating with yet another potential partner, Iraq. One should bear in mind that if the new project is a success, that will open the way to increasing its capital and expanding the scope, context and volume of its activities, separately or in cooperation with other investment banks.

In addition, one should bear in mind that the agreement to establish a bank between Qatar and Tunisia (and France) has been preceded by an agreement (whose execution is underway) to use in Qatar surplus Tunisian currency, and that has resulted in similar agreements with Saudi Arabia, Kuwait, Iraq and so forth which have also started to be carried out.

#### And Toward Kuwait

This time Tunisia and Kuwait have also been working together to give economic and investment cooperation between the two a new push which will strengthen its quantum leap from ordinary limited cooperation to a cooperation graced with numerous facets and integrated fronts.



This took place in the course of the visit that Mr Abdelaziz Lasram, the Tunisian minister of economy, made to Kuwait in the last week of September to discuss a group of issues regarding cooperation between the two countries and to prepare for the anticipated visit that the Kuwaiti crown prince, Shaykh Sa'd al-'Abdallah al-Sabah, will soon make to Tunisia; this will be another occasion to make a new move toward Kuwaiti-Tunisian cooperation, which is now considered one of the most successful, integrated and pervasive forms of cooperation between Tunisia and other Arab countries. The Tunisian minister of economy expressed this fact in Kuwait itself by making the following observations:

1. Relations between Tunisia and Kuwait were fundamentally based in the past on certain loans Tunisia receives from the Kuwait Fund for Arab Economic Development.
2. However, these relations have developed and have now taken the form of exemplary cooperation and integration, because Kuwait no longer contents itself with the broad financing of certain Tunisian projects; rather, it has proceeded to finance numerous joint projects of a developmental and productive character, especially heavy chemical industry projects linked with phosphate and tourist, development and housing development ventures.
3. The goal of Tunisia and Kuwait now is to expand cooperation between themselves in this integrated fashion in such other areas as energy, high-technology industries and the nuclear field. The Tunisian minister has stated that the ruler of Kuwait, Jabir al-Ahmad, the crown prince, Shaykh Sa'd, and all Kuwaiti officials have felt an intense desire to do so. What leads one to expect success in this field are not just the previous successes that have been achieved but also provision of the necessary material and equipment by means of joint Kuwaiti-Tunisian organizations existing in Tunisia, in particular the joint Tunisian-Kuwait Investment Bank. Kuwait is prepared to take part in Tunisian projects in accordance with the economic feasibility of the projects and Tunisia's absorptive capacity. Tunisia will be very content with that.
4. However, the most important development Minister Lasram's visit to Kuwait has brought out is the declaration in the course of the visit of the fact that Kuwait would present an application to nominate Tunisia for membership in the Organization of Arab Petroleum Exporting Countries (OAPEC) during the organization's next ministerial meeting in Abu Dhabi next December, now that Tunisia has agreed to go along with the view of Kuwait and the other member countries in this regard and join the Arab oil organization.

The importance of this step lies not just in Tunisia's adherence to membership in an important regional club dealing with the most important strategic resource in the world -- it lies also in faith in Tunisia's oil resources and future, as reflected by its nomination for membership in this club.

It might be pure coincidence that the announcement of this step, for which preparations have been going on for some time, occurred at the same time as the announcement of information on oil discoveries in Tunisia which, in the event they are proved, will result in doubling or quadrupling Tunisia's proved crude oil reserves.

In the middle of September, information circulating in American oil circles indicated that the oil exploration being undertaken by two companies, Standard of Indiana



(Amoco) and Tenneco resulted in two new fields which, if the expectations made on them are valid, will have the effect of raising Tunisia's proved reserves from 2.35 billion to 5 to 10 billion barrels.

While some observers insist on refusing to be exaggeratedly optimistic on the new discoveries at this time some also state that these discoveries will not permit Tunisia to export crude oil in large volumes before the end of the eighties and that these quantities will not exceed 500,000 or 600,000 barrels a day at that time.

Two geological considerations prompt these observers to have good expectations regarding the two new discoveries:

First, the field discovered by Amoco in southwestern Tunisia near the Algerian border can be considered the first confirmation that Algerian oil fields extend inside Tunisian territory.

Second, the Tenneco company's discovery is situated onshore along the Gulf of Gabes, where geologists have discovered numerous oil deposits.

The important thing in both cases is that the oil discovered is of a light quality with low sulphur content -- that is, it is similar to high-priced Algerian and Libyan crudes.

In any event, if Tunisian oil exports reach a rate of 500,000 or 600,000 barrels a day at the end of this decade, that will not be insignificant. Aside from the fact that it will make up for what Tunisia lost when it was compelled to reduce its oil exports, it will provide it with new bargaining power in international economic, financial, and technological relations with the whole world and will also furnish it with political support in its regional and international setting. Above and beyond that, it will enable it to increase its foreign currency revenues (at today's prices) by about \$7 billion a year, and this holds positive implications on all economic and political levels together.

11887

CSO: 4504/47

## INTER-ARAB AFFAIRS

### PLO PAPER VIEWS ALTERNATIVES TO SETTLEMENT

JN251829 (Clandestine) Voice of Palestine in Arabic 1540 GMT 25 Nov 81

[Excerpts] In an editorial this week under the headline of "Palestine Will Raise Your Banner," FILASTIN ATH-THAWRAH, the PLO central paper, first addresses words of allegiance to the martyr commander Majid Abu Sharar, who was martyred 40 days ago.

The Palestine which was lost by the Arab regimes in 1948 will not be regained without the disappearance of these same Arab regimes. The condition for Palestine's liberation lies in achieving Arab change.

The Arab regimes that have existed in the region since 1948 recognize Israel and coexist with it. They also recognize the international resolutions which candidly recognize Israel. Moreover, these regimes do not fight Israel and perhaps do not even contemplate it, due to the lack of a pan-Arab policy or a policy of self-interest against Israel and due to Arab fragmentation in the arena, rather than unified Arab action.

We must make the following observations on the Arab stand during the Fes summit: First among these is that international settlement of the Palestinian issue can only be based on a U.S.-Soviet detente similar to that producing the 1977 statement. Observers now believe that the U.S. Administration under President Reagan has rejected the bases on which international detente was founded and replaced these with an escalation of tension all over the world. The issue of the U.S. missiles in Europe and the strategic alliance in the Middle East are ample proofs of this. Thus, talk of a Soviet-U.S. agreement on the Fahd plan or on the international conference in the Middle East has no scientific basis and lacks a sound view of the international situation.

Second, the European-U.S. settlement of the Palestinian issue is impractical and unrealistic. This is because, in the first place, the course of such a settlement clashes with international and pan-Arab courses. Talk about making the short-term Arab course fit within the Camp David framework would, in practice, lead to Arab fragmentation, whether such fragmentation resulted from internal pan-Arab causes or those pertaining to the policy of Arab axes. Arab regimes have to view international reality as it is, with all its tension and polarization. Even if all the Arab regimes were biased toward the U.S.-European settlement, this settlement would still be doomed to failure because it does not reflect the international

balance of power. Rather, it is part of an escalation policy and runs counter to the policy of detente between the United States and the Soviet Union.

Third, the most prominent example of a European-U.S. settlement is the Camp David accords.

Fourth, the sole Arab alternative, in light of the international escalation and the fact that a relaxation in the situation is unlikely, is that of fighting against Israel, particularly in an international atmosphere that is truly appropriate for the local sides in the region to play a specific role.

As for proposing an Arab settlement, we still do not know whether those who proposed it have taken all these factors into consideration. The issue of settlement does not boil down to proposing points or articles just for the sake of publicity or defining the Arab stand in accordance with these articles. Naturally, it would be a grave mistake for us to lay down inflexible guidelines for Arab action in an ever-changing international and Arab situation.

In conclusion, the paper says: Thus, during the Fes summit the Arab regimes must think and move in a different manner [as heard] so long as they are incapable, in practice, of achieving their own settlement and so long as an international settlement is impossible due to the absence of an international relaxation, particularly where the Middle East is concerned.

Thus the Arab regimes have one international and Arab alternative left: the alternative of fighting. Shall we contemplate such an alternative rather than be lost again in the illusions of the Europeans and Americans?

CSO: 4404/131

## INTER-ARAB AFFAIRS

### BAGHDAD DAILY ACCUSES EGYPT, SYRIA OF TREASON

JN201522 Baghdad INA in Arabic 0800 GMT 20 Nov 81

[Text] Baghdad, 20 Nov (INA)--ATH-THAWRAH has described the Egyptian regime's conduct following al-Sadat's death as treason both on the national and pan-Arab levels, particularly regarding this regime's relations with the Zionist entity and its alliance with the United States.

In an editorial today, the paper says: The Egyptian regime's conduct amounts to yet another break with the Arab body. Consequently, the masses of the Egyptian Arab people and the masses of the Arab nation and its vanguard forces' countries and government opposed to the Camp David process will continue the struggle to topple the Egyptian regime and the policy of settlement. The paper adds: The Camp David process is not more than the progeny of imperialist and Zionist machinations. It is a course diametrically opposed to every honorable pan-Arab liberation course.

ATH-THAWRAH sees a link between the trends of the Egyptian and Syrian regimes, saying: Both regimes are up to their ears in the same treasonous and defeatist course. The state of affairs reached in Egypt in 4 years with regard to reconciliation with and recognition of the enemy will be reached in Syria in a few more years. The difference between the two regimes is that the Egyptian regime marched along the course of settlement to serve U.S. and Zionist interests and schemes in a direct and open manner; whereas, the Syrian regime continued its games to tame the Palestinian and Lebanese national wills in order to reach the same objectives as the Egyptian regime.

The paper asserts that the Syrian regime is playing a destructive role against Arab solidarity and joint Arab action so as to weaken the Arab stand and instill a spirit of despair and defeat in Arab society. It always prefers to march along tortuous and hard terrain toward pan-Arab treason and the realization of reconciliation with the Zionist enemy.

CSO: 4004/127

BRIEFS

IRAQ PUMPING OIL TO LEBANESE--Lebanese Oil Minister Muhammad Yusuf Baydun announced today that Iraq and Lebanon have signed an agreement to resume the pumping of Iraqi crude oil to the Iraqi refinery in northern Lebanon. The pumping has been suspended since March 1976. The agreement was signed by Baydun during his visit to Iraq. The Lebanese minister returned to Beirut last night. [Text] [JN171311 Monte Carlo Radio Monto Carlo in Arabic 1200 GMT 17 Nov 81]

IRAQI-LEBANESE OIL MINISTERS DISCUSSIONS--Baghdad, 14 Nov (INA)--Tayih 'Abd al-Karim, Revolution Command Council member and oil minister, and Yusuf Baydun, Lebanese industry oil minister discussed here today ways to promote oil relations between the two fraternal countries. The Lebanese industry and oil minister arrived in Baghdad yesterday on a visit of several days for talks on the promotion of relations between the two countries, particularly in the sphere of oil. [Text] [JN141442 Baghdad INA in Arabic 1415 GMT 14 Nov 81]

SAUDI LOAN TO PLO--Saudi authorities on 10 November gave \$28.5 million to the PLO representative in Riyadh, Rafiq al-Natshah. This money, in the form of a loan, is the third part of the annual aid Saudi Arabia gives the PLO in accordance with the resolutions of the Baghdad conference. The Saudis make no secret of the fact they are funding the PLO even though it is occurring at a time when the United States is stepping up its support for the Riyadh authorities. The check was handed to the PLO representative 48 hours after the Saudi authorities complained about the penetration of Israeli planes into their airspace. [Ya'Aqov Erez] [Text] [TA120948 Tel Aviv MA'ARIV in Hebrew 12 Nov 81]

CSO: 4423/42



OPEC'S YAMANI FOR PROGRESS IN NORTH-SOUTH DIALOGUE

AU251215 Vienna DIE PRESSE in German 25 Nov 81 p 1

[Special DIE PRESSE report by "HO": "OPEC Wants More Active Role in North-South Dialogue"]

[Text] OPEC is increasingly becoming aware of its important role in the dialogue between industrialized and developing countries. Yesterday Saudi Arabia's Shaykh Ahmad Zaki Yamani declared in his opening statement at a 3-day "oil seminar" in Vienna that "a fair and objective dialogue between North and South is inconceivable without the essential participation of OPEC."

Any North-South dialogue must be based on the discussion of energy problems, he said, and since OPEC is the most important oil supplier it is only logical for it to play a decisive role in the discussions. The oil exporting countries, he said, want to play a "more positive and more effective role," to ensure that rapid progress is made at the negotiations.

Yamani, who chairs the 3-day seminar on energy and development questions, also stressed that the current glut in the oil market is only a transitory phase and does not signal the end of the energy problem. Dr (Fadhil J. al-Chalabi), deputy secretary general of OPEC, outlined three possible price strategies: the oil price could be oriented on the cost of alternative energies and would have to make possible a healthy and steady growth of the world economy; the oil price could be fixed in such a way that OPEC would retain a stable share in the world energy market; or one could leave the price development to the market forces, with OPEC fixing a minimum price.

At the seminar, which is being attended by 500 participants from all over the world --including besides prominent OPEC figures French Economy Minister Jacques Delors and FRG Economics Minister Otto Graf Lambsdorff--at the heavily guarded Vienna Intercontinental Hotel, among other things questions of the future oil supply of industrialized and developing countries are in the center of numerous experts lectures and panel discussions. Four working papers will be presented, dealing with questions of oil pricing policy, energy problems of the Third World, energy dependence of developing countries without oil resources of their own, and global energy and development problems.

In his greetings address Chancellor Kreisky combined oil policy with world politics, and indirectly pleaded for a Palestinian state. He declared that a Middle East peace was the basic prerequisite for a closer cooperation as envisaged by OPEC.

CSO: 4420/1

## OPEC AFFAIRS

### BRIEFS

OPEC DISCUSSES PRICE STRATEGY--Vienna--The OPEC seminar "energy and development" which will be held today and tomorrow at the Vienna Interncontinental Hotel, will deal with the future development of hydrocarbons prices, the energy dependence of oil-importing countries, and the energy problems of the Third and the Fourth World. The seminar will be attended by the OPEC oil ministers and 450 oil experts, as well as by representatives of international organizations. The seminar was preceded by a meeting of the OPEC committee for long-term strategy held last weekend also at the Intercontinental Hotel. The central issue at this conference held under the chairmanship of Saudi Arabian Oil Minister Yamani was a possible change in the strategy of the oil cartel. Concrete results of the meeting held behind strictly closed doors are to be revealed only at the next OPEC oil ministers conference on 9 December in Abu Dhabi. Meanwhile, OPEC members Nigeria and Iran have announced a further increase in their crude oil production. [Text] [AU241011 Vienna DIE PRESSE in German 24 Nov 81 p 7]

CSO: 4420/1

JOURNALIST VISITS GHAZNI, MEETS RESISTANCE GROUP

Paris LE MONDE in French 30 Sep 81, 1 Oct 81

[Article by Jean Bertolino: "Afghanistan: Impostors and Heroes of the Resistance"]

[30 Sep 81 p 5]

[Text] I. The Ogre of Zurmatt

The Afghan guide who has been given to us by the Jabbah-e-Nejat-e-Milli (National Front for the Liberation of Afghanistan) is a 120-kilo giant of fearful appearance. Right off, we nicknamed him the ogre of Zurmatt, in reference to the valley he comes from. He is first taking us to his home territory, to the ground of his exploits. Ashmatallah Mojadidi, one of the top officials of the Jabbah and the man who gave him the mission of protecting us through our journey, presented him to us as his province's No 1 shot with the rocket-launcher. It seems that he has destroyed several dozen Soviet tanks by himself. Could one wish to be in better hands?

Waziristan, a border area, has centuries-old cedars on its heights that busy woodsmen cut indiscriminately. Caravans of camels laden with wood clog the track. This is the principal trade with Pakistan. Entire forests have already been mutilated, and the rocky slopes, with trunks cut off a meter above ground scattered over them, resemble cemeteries.

Contrary to the general rule prevailing in Afghanistan, the inhabitants of Waziristan, the Waziri, are hardly hospitable. High walls, decorated with moldings and pierced with weep holes, protect their pretty villages of Biblical aspect. The looks of the inhabitants are hostile and fugitive, their replies to our greetings barely muttered. We avoid camping near them, we sleep out at night in desert areas, from from dwellings and crops. On the second evening, near a stream to which we have withdrawn to wash, some gunshots come at us and we run to get to Sado Khan.

"You must not get an inch away from me," he growls.

At an inn near the border, he gets his horse back. His demeanor is really imposing now, and we, with our painful legs and bloody feet, envy him.

The 10 men of his group, armed with Kalashnikovs, rocket-launchers and rifles, and four camels, walk as we do, painfully, behind the ogre's mount. Three of the four animals are laden with weapons and ammunition which Jabbah-e-Nejat has entrusted to

him for the combatants of Zurmatt. The fourth carries our equipment. He has billed us for everything, the entire caravan, plus his protection.

Not having been able to hire mules or donkeys, here we are, forced to cross passes rising to 4,000 meters by paths that follow the stream beds. Half a day of rest on the back of a camel costs 5,000 afghanis over and above what we have already paid. It is a racket. We are sure that the Jabbah has taken care of all the travel costs for this mission and that Sado Khan is cheating it, as he is cheating us. The pockets of his jacket are stuffed with paper money. During our stops, he likes to show it, and the gleam of cupidity that we read in his face disturbs us. At mealtime, our menu invariably consists of bread and tea. But if the ogre and his acolytes catch sight of a shepherd's camp, they don't miss the chance to have a feast, leaving us to continue on the path alone with the camel-driver.

### In the Liberated Zones

A strong smell of wild absinthe impregnates the air of the high peaks. The war is far off, very far. In these valleys cut off from everything, one comes not to believe in it anymore. We reach the Zadran region, and this time, to our great surprise, far from avoiding the roadways as we have done up to now, we take the vehicle road connecting Khowst and Gardez, toward Gardez. The calm assurance of our escorts indicates the absence of any danger. The roadside is edifying too.

Along several dozen kilometers lie the shells of tanks. Not just one, but 8 or 10 convoys have been annihilated here, one after the other. This happened when Taraki was in power, but the Soviets have not yet done anything to reopen this stretch of road.<sup>1</sup> In the villages, life seems to be resuming its normal course. People are rebuilding the bombed-out houses here and there, restoring the irrigation canals, cultivating the fields, dozing at siesta time in the open air outside the tea houses. Here, the resistance fighters are these people. Not a single helicopter, not a single airplane disturbs their peace.

Here, a wide antitank ditch cuts the road. This is the end of the zone of security. We cut off toward the mountains. More passes to top, and still no shadow of a Russian presence. We do not encounter any Afghans either. We dream of Sado Khan's house, of the banquets he has promised us, and in the barren fastnesses of the steppe, we keep our eyes out for a massive and solid chateau, in the image of its master, to appear. Why this stop in a nomads' encampment when we are so near our goal? Yes, why delay us? We want to get to our host's house as quickly as possible, to take a bath, rest up, wash our stinking clothes, encrusted with dried sweat. Surprise! This is the chateau of Sado Khan, the ogre of Zurmatt. A few miserable tents in a rocky setting, with no water or trees.

Now it remains to see our rocket-launcher at work against the Russian tanks. Gardez is only 3 hours from where we are, and the echos of battle reach us from there. The mujahidin of Hesbi Yunis Rallis, led by a shock mullah, the mullah Jellaedin, are giving a rough time to the Soviet garrison stationed in the town and are even daring

---

1. Nur Mohammed Taraki, named chief of state on 30 April 1978, after the coup d'etat that toppled President Daoud, was killed in the bloody coup by his prime minister Hafizullah Amin, who seized power in September 1979.

to attack it in broad daylight, defying the MiGs that criss-cross the Zurmatt sky before dropping their bombs. We insist on going to the combat zones, but Sado Khan does not seem in a hurry to take us there.

Each night--it is Ramadan--the ogre presides over banquets, devouring half a goat by himself, and we, off in our tent, like so many bearers of the plague, wait. On the 6th day, Sado Khan finally stirs and takes us to Zermal, a big Zurmatt village located between Gardez, Mota-Khan and Ghazni.

#### A Soviet Convoy Wiped Out

The surest way to own a province is to put it in ruin," wrote Machiavelli. This is exactly what the Soviets have done here, in this locality almost entirely emptied of its inhabitants, who have fled to Pakistan in successive waves. After their departure, the Kushi nomads of the region installed themselves in their place, among the debris of the houses, letting their flocks complete the destruction of the orchards and plantations.

The ogre has not come to Zermal to make war: we discover that he is not distributing free of charge the weapons that his organization has entrusted to him for the fighters, but is selling them to confederates of dubious appearance. This time we are certain that this man is using the resistance to enrich himself and profiting from a usurped reputation, and that with him, we are completely cut off from reality.

The name of Amin Wardak comes back to our mind. Amin is a well-known and honest resistance fighter who lives in Jeratu, in Wardak province, his province. Only he can liberate us from the ogre, but it is still necessary for the ogre to agree to take us to him. Unfortunately, his pockets stuffed with money, he takes us back to his camp once his business is completed. On the 10th day, at 10 in the morning, two Soviet helicopters pass over our tents. At noon, after exacting 50,000 afghanis for taking us where we want to go, Sado Khan and his troop finally break camp. At sunset, we pass near the town of Gardez.

A tank suddenly appears over some wild oats. Then another, then trucks, armored cars, dozens of them, in Indian file, immobile. We pause for a bit. Sado Khan guffaws, dashes toward the enemy, who do not budge, shouting a great war cry. We catch up to him and understand the reasons for his bravado. All these vehicles are lifeless. They are burnt-out scrap iron, as if suddenly petrified, as they moved, by the ambush that took them by surprise, and they litter the middle of the Gardez-Zermal road. Neither the Russians--who until now have been anxious to wipe out the signs of their vulnerability--nor the government has yet come to take them away.

The adventure that we are living in the footsteps of Sado Khan is not unique of its kind. Afghanistan has always had the reputation of being an uncertain country, hard to govern. Its tortuous relief, spiked with summits that peak at 6,000 meters, and a myriad of deep gorges, the only routes of communication and scarcely used, have from all time been the allies of the highway robbers that hold the caravans to ransom.

A positive aspect compensated for this inconvenience. From remotest antiquity, the chaotic landscapes of the Hindu Kush have also served as natural ramparts against the invaders who surge up from the steppes of Central Asia. Today they still fill this double role, but if they want to be totally credible, the genuine Afghan fight-



ers will have to rid themselves of the malefactors who operate in their territory, for the latter constitute the embryo of truth on which Soviet propaganda is based when it calls the resistance fighters as a whole scoundrels and bandits.

Last year, a band of Kushi nomads stopped on the Kabul-Ghazni road, at dusk, an overcrowded bus full of civilians and a car occupied by a doctor and his wife and daughter. All the travelers were robbed, and 17 of them were pitilessly beaten, including the doctor and his family. Since they could not tarry too long at that spot, which is watched closely by the Soviets, the robbers mutilated several women to grab their bracelets and earrings fast. This horrible crime has gone unpunished.

In order to move freely within the country, the highwaymen join one of the six official resistance organizations, which gives them a sort of immunity. If they are overseen by true mujahidin, they can claim a recognized membership card, show a membership card, and worse still, by claiming to be giving the Russians a hard time, they can use this means to obtain weapons.

#### Laxity in Recruiting

In Peshawar, in Pakistan, where the Afghan opposition as a whole has established its general headquarters since the beginning of the Soviet intervention, the officials of certain organizations, dominated by a spirit of rivalry, a desire for power, show an insensitive laxity in their recruiting. The only thing that matters to them is the number of partisans they can rally as against the local competition.

It is not by remaining splintered that the resistance will be able to police itself seriously, no longer tolerating black sheep in its ranks and becoming irreproachable. Can its unification, which is more necessary than ever, be achieved with the people who are presently leading it?

[1 Oct 81 p 7]

#### [Text] II. The Robin Hood of Jeratu

Jean Bertolino, with Olivier Warin, did a report from Afghanistan, broadcast by TF [French Television] 1 on Wednesday 30 September. After denouncing the attitude of the impostors who join with the resistance organizations in order to engage in criminal activities (LE MONDE of 30 September), he tells the exploits of the genuine fighters. In 2 years of warfare, the resistance has fewer guerrillas than in its beginning, but they are now better-organized and more effective.

Big, very slim, Amin Wardak possesses the determination and nobility of the legendary hero. His slightly curved back and his lined face, a little sad, give him an air of fragility that accentuates the attractive aspect of him. The people of his valley are devoted to him not by tradition or out of fear: his behavior, both respectful and familiar, earns him the sympathy of his coreligionists. He is the antithesis of Sado Khan, the brigand. As the crow flies, the big Soviet garrison of Ghazni, the main nerve center on the Kabul-Kandahar road, is barely 20 miles away. This is hard to believe, so deep is the feeling of peace that the valley gives.

We are in the harvest season. In the fields, the peasants cut the ripe wheat with sickles, while the children make up the sheaves. Women draw water from the springs and come back carrying the jugs on their heads. They walk slowly, stepping aside and turning as we pass. Silent, withdrawn, furtive, they have, under their dark-colored veils, the appearance of specters. Distant calls, the nostalgic cantilena sung by a little shepherd, mix with the chirpings of the birds and the mooings of the flocks. Whereas a year ago the sky of Jeratu was furrowed by the combat helicopters daily, says Amin Wardak, "the whole valley today is free." He adds: "This year, the Soviets have come only once, in the spring. It was a real invasion: 2,000 tanks, 10,000 men, airplanes. They surrounded all our villages, shelled several houses, shot some 20 people. I was with my mujahidin, in the mountains. At night, we came down to shoot at the tanks with our rocket-launchers and to lay mines. We destroyed a good 60 of them in that way. The Soviets cannot control all the valleys."

As everywhere else, one can find among the Afghans individuals prepared to betray for money. Two days after our arrival in Jeratu, some peasants who found on the road two unknown persons of dubious appearance came to inform Abdallah, Amin's cousin, about them, as well as his direct assistant for war affairs. The latter immediately took several mujahidin with him and went off to arrest them. An hour later, they brought them back, and searched them in front of us. Impressive wads of paper money were taken from the suspects' pockets and thrown on the ground. Abdallah, furious, took a sheaf of bills and used it to hit them in the face: "We came to collect some debts," one of them insisted.

The two presumed spies were from Zurmatt. That was therefore where they were to be judged. And since the highest political and spiritual authority in Zurmatt is the famous mullah Jellaledin, the one who attacks the Soviet bases in Gardez in daylight, it is improbable that they will get any clemency. If they are found guilty, they will be executed on the spot. An interesting detail: the mullah Jelleledin, a "fundamentalist" of the Hesbi Yunis Rallis, and Amin Wardak, affiliated with the Maaz e Milli Islami of Ghailani, a moderate nationalist party, do not echo in the field the dissensions that prevail in Peshawar. Whenever they have the opportunity, they collaborate. This is a proof that the politicians' quarrels do not reach at all, or very little, those whose sole objective is to fight the occupiers.

In Jeratu, it is Amin Wardak who renders justice. When he was a child, he dreamed of exercising that profession. To kid him gently, his father nicknamed him Qazi--that is, judge. That nickname has stuck with him. He is still called that throughout the province. Since he has been leading the armed struggle, he has had the power to judge the traitors or suspects in his sector. Qazi has truly become a qazi, and no one disputes him. He already had the name, and now he has the function. One day, in the shade of an orchard, we witnessed a session of the people's court. Amin, seated in the center of a circle composed of the council of elders, with their long white beards, and villagers, is lecturing a youth.

We interrupt him:

"What has he done wrong?"

"Perhaps nothing," replies the judge. "The government authorities often recruit people by force for military service. This one did not avoid it, and for more than a year he has been a soldier with the Khalqis. He has just deserted, he says, and

is coming back to his family here. But he may be a spy. He may be coming among us, staying 2 or 3 months, and then going back to the Soviets to give them information."

"What are you going to do, then?"

"If he has decided to become a true mujahid, to fight like them, he will be one of ours. For the moment, we are not sure about him. We have also asked his uncle to be his guarantor. If this boy betrays us, we will burn his parents' house, we will distribute their lands to the peasants, and we will also burn his uncle's house."

The sentence, translated into Pashtu, is immediately approved by a collective nodding of heads. "These are our laws, our customs," Amin tells us, joining his hands in the prayer than closes each hearing: "God, make the Soviets go away, give us victory, let Afghanistan be free." The session is over.

He is a strange personage, this Robin Hood of Jeratu of ours, who has established his general headquarters in the ruins of the family manor. Two of its four towers still rise like a challenge amid the piles of debris and pieces of wall 2 meters thick. They still have a proud aspect despite their gaping wounds. The Soviets hammered away at this edifice, attacked it on several occasions, by air and by land, mined it, bomarded it, shelled it. And like the members of the family that inhabit it, it holds up! Amin Wardak's father, a refugee in Pakistan, is the chief of the tribe of the Wardakis, which has about 500,000 members and 60,000 rifles. There is no doubt but that the Soviets, in attacking the Wardak stronghold, wanted to destroy a symbol, that of feudalism. But Afghan feudalism perhaps does not correspond entirely to the idea they have of it.

"In this country that was unreliable, we had obligations toward our peasants," Amin Wardak tells us. "True, we took 50 percent of their harvests, but in exchange, we had to maintain armed men, for their protection, see to their health needs, organize marriage festivities, receive them in our home. When I was a child, we had an average of 60 guests per day. If we had been so horrible as the Russians claim, do you think the people would remain faithful to us? Our whole family is now scattered. I alone am here, with my younger brother Mustapha, to lead the struggle. It would be easy to kill us. But as you see for yourselves, the population follows us, fights by our side."

#### Soviet Tanks at 30 Meters

As between feudalism and the patriarchal system, there are nuances that the Soviet propagandists have perhaps not clearly grasped. The system of society that Amin Wardak is defending incarnates, for the time being, the soul of Afghanistan. An attempt to strike it down by force can only strengthen it. What values other than their faith and their traditions can the Afghans draw on as support in their struggle? When we ask our host whether he has the feeling that the Soviets are bringing a little progress to his country, he takes offense: "That is not possible: they are bombing us, massacring us, forcing us into exile, destroying our homes. Never will the Afghans accept foreign domination. Our choice is a simple one--to live free or die."

Some assert that the Afghan rebels are not free, that despite themselves they are under an alienating sociological pressure and that they will be able to progress only by breaking the chains that keep them from evolving. But if they had been morally and politically ready for that, they would already have made their revolution by themselves.

If the Soviets come more and more infrequently into the valley of the Robin Hood of Jeratu, he, for his part, is not above going to them. One night, he took us to exactly 30 meters from the big Kabul-Ghazni asphalt road, and only 10 kilometers from Ghazni, to a grove of poplars so suspicious-looking that all the trunks are riddled with bullets and shell debris, split, half-broken, and the ground is strewn with rocket scraps.

Dawn comes. Crouching in the grass, we are on the lookout. At 0800 hours, the road comes to life. Buses, taxis, trucks pass at a fast clip. We are at a slightly lower level, and they stand out sharply in the landscape. At 0900 hours, the characteristic throb of the helicopter rotors rises, crescendo. In a distressing tumult, two MI-24 helicopters pass just over the foliage. At 1000 hours, an immense Russian convoy rushes out toward Kabul. Then nothing more, except for civilian vehicles.

At 1600 hours, an iron sound of caterpillars announces the approach of an armored column. Dozens of tanks and half-tracks pass right in front of our eyes. All at once, one of them hiccups, slows down and stops right in front of us, while the convoy continues to roll away. Three of the six soldiers seated on their machine look over our position. The seconds seem interminable. Suddenly, the half-track starts off again.

Amin Wardak smiles: "In daytime, they are the masters of the ground, but in half an hour they will all have turned back into their fortress, and in 7 hours, at 2300 hours, we will attack them."

Is this bluster? Not at all. At the hour stated, we are in the very center of Ghazni, right in the middle of the Soviet formation, and what is more, with the entire complicity of the inhabitants, who propose going onto their rooftops so as to observe the situation better. To the right, 50 meters from our position, is the former high school that today houses the Russian tank crews; to the right are the gendarmerie and the heliport; opposite us, 100 meters off, is the fortress. Amin Wardak's 60 mujahidin move ahead in the dark, approaching their target. We hear the calls that the sentinels periodically cry out in order to keep awake. Three rockets flash toward the troop's barrack-rooms.

The counterattack is immediate. Volleys of tracers go off in all directions, then the 80-mm mortars, the tank guns, the big artillery pieces, the garrison's entire arsenal goes into action. But where to shoot? At whom? They cannot decently raze the town. Then they take its streets in an enfilade, hammering the periphery. By good luck, not all the passages are in their line of fire. We take off very fast. The technique of the Robin Hood of Jeratu: hit and run. We are already far off. The monster that we have unleashed is unaware of this and pounds away at nothing.

The number of Soviet dead in Afghanistan is estimated at 10,000--10,000 men killed by surprise in their cantonments or in their tanks. This despite a considerable disproportion in the armaments employed by the two belligerents, despite the immense disparities in their mentalities and their standards of living. The mujahidin are poor, undernourished, poorly armed, illiterate for the most part. It is not by the deadly arguments of airplanes, tanks and combat helicopters that they will be convinced of the benefits of progress. The industrial world has carried out in their country an invasion, in its most barbarous form, that is felt as a violation.



EGYPT

PUBLIC PROSECUTOR DISCUSSES INVESTIGATION OF SECTARIAN DISTURBANCES

Cairo AL-AHRAM in Arabic 23 Sep 81 p 3

[Interview with Public Prosecutor Salah al-Rashidi by Rajab al-Banna; date and place of interview not specified: "Public Prosecutor Opens Investigation File in Sectarian Sedition Events; 'This Is How the Threads of the Conspiracy Were Spun' "]

[Text] "They took advantage of a loophole in the law; pushed young people in the foreground and hid behind them."

"Erroneous ideas about religion took hold in many minds, and people rushed into an endless current."

The public prosecutor has been silent for 3 full months. For almost 2 years he has been gathering the threads of the conspiracy which make up the web of the sectarian sedition incidents. He preferred working with his men in total silence so they could unravel the secrets of the conspiracy and unveil the truth behind every incident that occurred during those days. His motto was, "We are men who investigate and verify. Our role is to serve justice. We cannot say anything until we are certain of [our facts]."

Counselor Salah al-Rashidi, the public prosecutor, is now certain [of the facts]. Before giving his testimony for history and imparting the view he gleaned from his daily experience in search of the truth, [we asked him]: "How did the sectarian sedition incidents begin? Who are the real main characters in those incidents? What is the destiny that awaits them? Where does all this end?"

[Question] From the standpoint of one who has been leading the team of investigators throughout the country, how did this begin?

Counselor Salah al-Rashidi bowed his head for a moment [as though he were] looking for a place to begin, which he soon found.

[Answer] I was preoccupied with the investigation into the incidents at al-Zawiyah al-Hamra' which lasted over 2 months. Then I became exclusively preoccupied with preparing the reports about what had happened in those



incidents and the results of the investigation. What attracted my attention in the investigation was the fact that the incident itself appeared to be very small, even trivial. It was something that could happen between members of the same family or members of the same sect. However, what did happen was one thing and the rumors and allegations that were circulated around the incidents and traveled from one place to another like wildfire were another. The incident itself had no serious consequences, but it was the provocation that had a great effect in fomenting the sedition and provoking the public. The effects of the violence were greater and more horrifying on the day following the incidents than everything that had happened on the first day. This indicates that the incident was used by certain groups to damage the stability of domestic conditions.

#### A Pause Is Essential

[Question] A pause here is essential. Why were these rumors and allegations circulated? Whose interests did they serve?

[Answer] It became evident to me first that fomenting sedition between Muslims and Copts was in the interests of a malicious, misguided group that was going after private aims and did not heed the interests or the safety of the country.

#### A Year of Preparations for the Sedition

[Question] I believe that al-Zawiyah al-Hamra' was masterly executed. Before al-Zawiyah al-Hamra' we used to hear and read about events here and there, and statements used to be issued. Where did these incidents stand in the general framework of the sedition that was unfolded later? Were they within that framework or not?

[Answer] In the course of my work in 1980 I noticed that that year abounded in such events. Occasionally, someone would take advantage of them. I related the events in a memorandum in which I dealt with what had happened during that year. I referred to the fact that that phenomenon was a serious one and that matters had to be dealt with firmly before sedition spreads.

#### At the Right Time

Therefore, when the president took those measures I was certain that this method of handling the situation was a wise one. It came at the right time to protect the country from a conspiracy whose purpose was to damage the legitimate authorities in the country and infringe upon the safety and security of the homeland.

The facts as I had them after the incidents of 1980 were that at the time when the state was on its way to achieve its goals, a few opportunists and conspirators were trying to use a few individual and limited incidents to create a rift and a split on the domestic front. They wanted to break up national unity and to foment sedition between Muslims and Copts on the basis of distortions and misunderstandings.

At the same time extremist elements were actually stirring up riots and, in some cases, behaving in a suspicious manner for motives that in some cases were hard to understand. There were also other incidents perpetrated by a small fanatic, unenlightened minority in a few governorates. The purpose [of those extremists] was to show the world that the people of Egypt had turned into discordant sects, that the rule of law had disappeared from the country and that no person felt he was safe. The prosecution would go to the locations of the incidents soon after they happened to investigate them in the context of the sovereign law. We had to stand in the way of the mercenaries who would sell the country's reputation, [and we had to stop] the rumor mongers and those who claim to be in the know.

#### Relevant Facts Revealed by Investigation

[Question] Did the most important features of the conspiracy become evident from the investigation that was conducted into the year of preparations for the sedition?

Counselor Salah al-Rashidi chose his words very carefully.

[Answer] Yes, there were indications that caught my attention in the investigations of 1980 and 1981. The first one of them was that people were trying to impose erroneous notions about religion on the public in a manner that had nothing to do with the spirit of [all] religions. In one of the governorates of Upper Egypt, for example, there were numerous attacks on women who were walking with their husbands or brothers. The second of these was in the numerous disputes that developed over vacant lots, especially those that are owned by the state. Each group would try to take over one lot and turn it into a mosque or a church. These [incidents] were accompanied by disputes and provocations that sometimes developed into gun [battles] whose purpose was to disrupt the peace. The third of these indications lay in the ubiquitous allegations and false rumors to incite sedition. In some cases, for example, we were informed that thefts had occurred in the context of sectarian attacks, and the investigation later proved that these reports were false, and all the stolen articles were found.

#### Their Purpose Is To Provoke People's Feelings

I discovered from the investigation that part of the sedition plot was to give us information about imaginary thefts, vandalism in some stores, kidnapping young women or arson in houses of worship. Then an investigation would reveal that all these incidents had been contrived to provoke people's feelings. Each incident would be quickly magnified and [false incidents] would be added to each one to increase the volatility of people's emotions.

This is the reason why I took the time to issue a statement every now and then so that the facts would be clear to public opinion and so that these imaginary incidents would not be exploited to manipulate the people's resources.

The fourth indication that attracted my attention was the fact that children or young boys were used to commit reckless acts, and they were encouraged to take advantage of opportunities to rob some stores during the contrived disputes. Some of the boys were induced to vandalize some of the stores to create a state of chaos and disrupt the peace in the sections [where these stores are located]. In this climate the fires of sectarian sedition would spread.

What also attracted my attention in the investigation was the fact that some extremist leaders went beyond the limits of their natural roles and functions. They even used houses of worship to prod people to hate the country's legitimate regime. This is considered a crime for which there is a penalty in the penal code. Those people are being questioned now by the public prosecution.

As the law states, protecting national unity is supposed to be the duty of every citizen. All organizations in the state and all popular organizations are required by the National Unity Protection Act to work to support and preserve this national unity. The law defined the notion of national unity in clear terms for every citizen. It stated that national unity is the unity that is based on respecting the law of the state and the basic components of society which are defined in the constitution, and especially freedom of religion and freedom of opinion, without infringing upon the freedoms of others or the basic components of society.

#### The Law Rules Us All

The same law also gives each citizen the basic obligation of always giving general national interests priority over the private interests of every force, sect or group.

Every citizen is supposed to know his rights and his duties as well as the penalties that would be in store for him if he endangers national unity in any way, either by violence, threats or any other illegal way, or if he opposes the state's public policy or influences its political and constitutional institutions. Anyone who publicizes false or biased news, bulletins or rumors with the intention of damaging national unity is subject to imprisonment and a fine. Anyone who incites hatred against a class or a group of people or foments sedition among them is subject to imprisonment also. Every young man, every clergyman and everyone who works in politics is supposed to know about these matters in a state that observes the sovereignty of the law. Therefore, all individuals must observe the law in their conduct. The conduct of the state and of its institutions is also subject to the law.

I tell you, the matter is now different following President al-Sadat's initiative with his recent measures and with the spirit of discipline that has begun to prevail in the country. This is splendid because it guarantees and protects our country.

## They Even Took Advantage of Children

[Question] I believe that we need to pause here. The fact that young boys are appearing on the scene of these crimes may be significant. It may signify that those who are making them do these things know that the law will not punish those boys because of their age. What can be done about that?

Counselor Salah al-Rashidi replied quickly and resolutely.

[Answer] Yes, this is serious. It is serious because the hand of the law cannot reach those boys and punish them. It is serious because those young people are being taught to commit crimes in front of us. The only thing the prosecution can do is [either] turn them over to their parents in accordance with the stipulations of the law, or have them committed to one of the juvenile institutions with special conditions and measures.

If you were to ask me for my opinion, I would say without hesitation that the present juvenile law has to be amended. In the former law a juvenile was someone under the age of 15; in the present law it is anyone under 18. Can we say that a 17-year old person is not responsible for his actions? Can we approve of him vandalizing [property], taking part in a conspiracy, threatening the security of peaceful people and fanning the fires of sectarian passions with his actions? Do we then turn him over to his parents or do nothing more than commit him to a juvenile institution? Let us reconsider this law. Let us ask sociologists, psychologists, legal experts and experts in Islamic law, when is a person responsible for his actions. Let us then determine the age of a juvenile in light of their replies.

## The Defendants of al-Zawiyah al-Hamra'

[Question] Your excellency, Mr Prosecutor, let us go back to the beginning. Where does the investigation into the incidents of al-Zawiyah al-Hamra' stand?

[Answer] The prosecution's investigation has been concluded. The only matters that are left for us to do are a few criminal laboratory reports about the weapons and the ammunition that were apprehended. We have confined the indictment to 58 persons who were detained for questioning. The recent decisions placed them in protective custody.

[Question] What about the prosecution's charges against them? When will they be put on trial?

[Answer] The indictment includes several charges. They participated in a demonstration that threatened public peace; they were carrying firearms when they demonstrated; they willfully killed 17 persons; they had weapons and ammunition in their possession without permits; they willfully set fire to some public and private property; and they resisted public authorities. They will all be turned over to the state security court where they will be tried as soon as the reports from the criminal laboratory are received.



[Question] How will they be tried?

Counselor Salah al-Rashidi replied quickly.

[Answer] They will be tried according to the laws that are in effect. We must mention that in Egypt the law and only the law is sovereign, and all citizens are equal in the eyes of the law.

#### I Learned Many Lessons

[Question] What lessons did you learn from your experiences with everything that happened in the sedition incidents?

[Answer] You are right. I learned many lessons. Among the lessons I learned, for example, is that the greatest protection for the country lies in the awareness of its citizens. It was the citizens' awareness that made them stand behind the president's recent resolutions. People will not allow tricksters and rumor mongers to create a split in their midst. All divine religions advocate affection, peace and fraternity.

The second lesson [I learned] is that there is a small group of people trying to drag the country into foolish schemes, and they get others involved in what is destroying them.

The third lesson [I learned] is that in many cases the vigilance of religious leaders and security agencies played an effective part in calming passions, reducing the effect of these incidents and putting them into proper perspective. The measures taken by the Ministry of the Interior to collect unlicensed weapons or to revoke some of the licenses for weapons had an effect on preserving public security. It was a necessary measure for the safety of citizens.

[Question] The other question I have to ask you is this: if the prosecution asks the court for the maximum penalty for the defendants, it will do so in the name of society with all its sects. But what concerns me is the future. How do we protect the future? Do you have something to say about that after the sleepless nights you spent investigating this case?

Counselor Salah al-Rashidi's features became grave and very attentive.

[Question] I too am concerned about the future. We must all work to protect our country and its young people. I believe that Muslim and Christian religious leaders are primarily responsible for this. It is their duty to teach tolerance and to strive for it in the same way they strive for the country and for its safety. They also have to take swift action to be on the scene as soon as such a sectarian incident occurs because their presence reassures people. They could then explain the facts and would not give the rumor mongers and those who arouse people's fears an opportunity to [get to the people].

In concluding his statements Public Prosecutor Counselor Salah al-Rashidi said, "Some erroneous concepts of religion have found their way into young people's minds. It is the role of Muslim and Christian religious leaders to uproot those erroneous ideas and to plant correct ones in their place so that young people would not be led by deviant ideas that have nothing to do with the essence of religion and its tolerance.



## NEW STATISTICS OFFERED ON POPULATION, WORKFORCE

Cairo AL-AKHBAR in Arabic 26 Sep 81 p 4

[Article by Dr Husayn Tawfiq: "The Population Has Increased 2.5 Percent While the Number of Government Employees Increased 10 Percent!"]

[Text] The Central Agency for Organization and Management has uncovered an odd fact: the number of government employees is increasing four times faster than the population. Every year the increase in the number of employees comes to 10 percent while the population increase is just 2.5 percent. Thus the crisis in bureaus and offices is four times greater than the crisis in the population.

What is happening here requires some sort of close scrutiny.

It became apparent to the Central Agency for Organization and Management that there has been an inflation in the volume of labor in the government apparatus. This may be attributed to the great rise in the annual rates of increase of labor, which came to 10 percent on the average in the period 1965-1979.

The growth of labor in the electricity and power sector is to be considered abnormal, since the rate of growth of positions in this sector suddenly rose by 10 percent over the rate in the immediately preceding year, 1977.

We find that the highest rate of increase after that was in jobs in the housing and reconstruction sector; that came to 159.1 percent of the level in the base year, 1977, in 1979.

That was followed by the culture and information sector, where the workforce grew by 34.9 percent.

Through an investigation and analysis of the general government budget in the period 1965-1979, it has become apparent that workforce grew by 137 percent while the population increased by 35 percent in that period. That is, the rate of increase in the workforce was four times that of the population increase in that period.

It was also clear that the ratio of the workforce to the population is constantly increasing from year to year. While there were 31 employees per 1,000 people in 1965, we find that there were 55 employees per thousand in 1979.

The general rate of increase in labor in the government system came to 16 percent in the period 1977-1979, differing from one budget to the next by varying amounts.

The general rate of increase in the government's central budgets came to 23 percent, while the corresponding rate in local government budgets totalled 19.3 percent and in service authorities 15.3 percent.

Going by the figures given in the Central Agency for Organization and Administration report, the number of deputy prime ministers was five in 1977 and rose to six in 1978, then dropped to four in 1979.

#### Conclusions

The study's most important conclusions were focussed on the fact that the labor structure in the government system, according to the most up to date budgets now available for 1979, consisted of 1,875,651 employees of which special staff consisted of 15.34 percent of the total.

From this it is apparent that:

With regard to employees not performing jobs in the general staff, it is clear that they account for about 6.5 percent of total employees in the government apparatus, in accordance with the following breakdown: 33,223 employees on loan, or 28.3 percent of the total; 11,848 appointed employees, for 10.1 percent, 4,831 employees on special leave, or 41.2 percent /sic/, 2,184 employees on foreign leave, and 21,766 conscripted in the army.

From that, the following is apparent:

People on loan total more than one quarter of the employees in the government system and are not working.

The total of special leaves comes to more than 40 percent of people not performing work in the government system.

As regards labor trends, during the period 1965-1979 we observe a development in labor that resulted in inflation in the volume of labor in the government apparatus which may be attributed to a great rise in the annual rates of increase in labor in this period, which came to an average of 10 percent per annum while the average annual population increase came to about 2.5 percent. This means that there is inflation in the volume of the workforce in the government system.

The great increase referred to above in the volume of labor may also be attributed to:

A change in the role of government: the government is no longer a sovereign government whose task was confined to offering basic services in the areas of defense, security, justice, health, education and certain other services -- its role has expanded to include all aspects of economic and social activity, as it has become committed to the principle of comprehensive planning in this field.

The government's commitment to appointing graduates of universities: the government has committed itself to appointing graduates for a number of years, having adopted the principle of justice which gives every citizen an equal amount of job opportunities and a suitable income.

EGYPT

DETAINEES TO HAVE VISITS DURING RELIGIOUS, NATIONAL HOLIDAY

Cairo AL-AHRAM in Arabic 5 Oct 81 pp 1, 6

[Article: "Socialist Prosecutor Decides To Allow All Detainees in Sedition Incidents To Have Visits in Bayram"]

[Text] Counselor 'Abd-al-Qadir Ahmad 'Ali, the socialist public prosecutor decided that all detainees, including those involved in the investigation as well as those who are not involved in it, were to be allowed to have visits as an exceptional measure on the occasion of the 6 October celebration and the holy feast of Bairam. Competent authorities at the Ministry of the Interior have been notified of this decision so that it may be carried out. Detainees will be allowed to meet their relatives during open visitations, which [usually] take place on the occasion of the feast, in the locations where the detainees are being held.

This is the first time the socialist prosecutor allows visits for all detainees. During the last few days only one of the detainees was exempted from this measure. He is Mr 'Abd-al- 'Aziz al-Shurbaji an attorney and former president of the bar association. His family was allowed to visit him in the hospital.

The office of the socialist public prosecutor resumed its questioning of Fu'ad Siraj al-Din yesterday. He was questioned for 4 hours for the second day in a row in the presence of 5 attorneys. During the questioning the interrogator confronted Siraj al-Din with the available evidence that has been attributed to him regarding sectarian sedition: his attempt to revive the New al-Wafd party after the decision to disband it had been made; his meetings with some people who were behind fanning the fires of sectarian sedition among the individuals of this nation; and his relations with the Muslim Brothers and with the Labor party. The investigator also confronted Siraj al-Din with the opinions he had written and declared on the peace initiative and on his meetings in Alexandria. Siraj al-Din's questioning will be resumed for a third time on 12 October.

The office continued to question a new group of people, who are engaged in extremist religious activities, and a number of people who are involved

in counter-political activities. Among those is Hamid al-Azhari, an attorney and a former member of the board of directors of the bar association; Dr 'Ali Nawiji, a physician in Disuq who is one of the Marxist leaders in the Grouping party; 'Abd-al-'Azim Manaf, who is one of the writers of the Grouping party; and 19 persons who are leaders of Islamic groups and members of the al-Takfir wa al-Hijrah Society [The Society of Repudiation and Renunciation].

Today, the agency will question 18 other persons who are in custody for stirring up sectarian sedition. The agency is also completing its questioning of Dr Mahmud al-Qadi, former member of the People's Assembly.

8592

CSO: 4504/43

## EGYPT

### AIRPORT, AVIATION SECURITY MEASURES

Cairo AL-AHRAM in Arabic 16 Oct 81 p 15

[Article by Muhammad Zayid: "After the Incident of the Packages That Exploded on the Airplane Coming from Libya, Minister of Aviation Says, 'I Asked for the Construction of an Armored Warehouse Where Packages Would Be Examined before They Get to the Airport without Their Owners' "]

[Text] After the horrible objectives of the criminals who planned the incident of the explosive packages on the airplane that came to Cairo from Tripoli in Libya via Malta became evident, I conveyed to Jamal al-Nazir, minister of tourism and civil aviation, the serious question that was on everyone's mind: "What new security measures are we taking to safeguard ourselves against these criminal attempts? Had it not been for God's care alone, whose will it was that the airplane arrive late, the explosion would have occurred, just as the criminals had planned it, inside the airport terminal, and many innocent lives would have been lost."

Jamal al-Nazir told me, "Thank God for His care [not only] in delaying the airplane but also in letting it arrive when it did arrive in particular. If it had been late another half hour, the explosion would have occurred in the air, and the airplane and all those on it would have been destroyed. Regarding security measures, we are actually taking many of them. However, it turned out that none of the airplane's passengers was the owner of the package that exploded. Therefore, we made several new decisions to ensure the utmost security and safety against such criminal attempts on the part of the enemies of life.

"The first one of these decisions is this: No packages unaccompanied by passengers are to be accepted. Passengers used to arrive at the airport, and then their luggage would arrive a day or two later.

"Second, an armored warehouse far from the airport buildings is to be constructed. Any packages arriving on the airplanes of international airlines without their owners are to be transported to that warehouse. Inside that warehouse, which can withstand any explosion, packages would be inspected by the most modern devices. At present there are such warehouses in



some international airports. I gave instructions that construction on such a warehouse begin immediately. It will be completed in about 4 months. During this period packages will be inspected by the most modern devices before they are carried to the airport terminal.

"Third, passengers on airplanes arriving from some airports will have to identify their luggage under the airplane itself, and their luggage would accompany them to the airport terminal.

"The fourth decision [I made] is that passengers on Egyptian airplanes taking off from any airport in the world are to provide complete personal data on every package before that package is weighed. Airline employees are to make sure that this measure is carried out."

8592

CSO: 4504/43

## EGYPT

### RELIGIOUS DISTURBANCES IN ASYUT DISCUSSED

Cairo AL-AKHBAR in Arabic 13 Oct 81 p 7

[Article: "Nabawi Isma'il Announces, '50 Members of Islamic Societies and of al-Takfir wa al-Hijrah Society Carried Out the Criminal Attack on Asyut; Police Opposed Them and Crushed Their Criminal Attempt' "]

[Text] Deputy Prime Minister and Minister of the Interior Muhammad Nabawi Isma'il announced that policemen were in full control of the situation in Asyut before noon on the day of the incident--Thursday, the first day of Bairam. He said, "I went to Asyut yesterday, and I found out all the facts about what happened there. I saw that life was normal, and I visited the wounded policemen. I found out that much of what was broadcast by the radio [services] of the rejection countries was extremely exaggerated. They are making up things. I wonder: how can they be so imaginative?" He said, "The men of the media are in Asyut to see the facts as they are."

The deputy prime minister said, "It turned out that this small group of religious deviants were members of Islamic societies and of the al-Takfir [Atonement] societies which pursue a course of violence. The members of these societies are from the governorates of al-Minya, Qina and Asyut." He said, "They had made arrangements after the assassination of the late president to carry out a few operations to disturb the peace and to execute the plans for which they had been striving." He said that they were 45 to 50 individuals. "They attacked policemen and people in the street unexpectedly, but this lasted only for a few hours, and it was only in Asyut. What they did on a sad feast day is a criminal act that is not consistent with [any] religion or with humanity. The whole country was in mourning. It was one of the worst Bairams we've had. The simplest principles of humanity and religion would have had them share the people's mourning, but they lost their feelings and they tried to scare people. They were inclined to carry out repeated operations in some of the governorates, and they agreed to carry out this operation in Asyut. This is what we found out after we apprehended them."

Deputy Prime Minister and Minister of the Interior Muhammad Nabawi Isma'il described the magnitude of the Asyut incidents in a television interview that was broadcast yesterday evening. He said in that interview that that

deviant group began [their operation] when a group of them drove in a Peugeot to attack unarmed policemen in front of Nasir mosque in Asyut. The policemen are unarmed as they usually are on all such occasions. They killed several of the unarmed policemen, and then they turned to the security administration building. They treacherously attacked the policemen who stand [guard] in front of the administration building. Then a group of them entered the building, where they were opposed by a police force. The commander of the operation was wounded. He got away, but he was [later] arrested. A group of them climbed on the roof of the security administration building, and continued to exchange fire with the police force. They believed that being in that place would give them strength and prevent an attack against them."

The deputy prime minister said, "Another group stole a flatbed truck that belonged to the university hospital in Asyut. They drove to one of the police stations and fired on the police force which opposed them valiantly. They then turned and ran and were pursued by policemen who wounded some and arrested others. Some of those who escaped took a vacant police car that was parked [there], and drove it to the second police station. They fired on the police station and tried to break into it. The policemen there opposed them, so they escaped and sought refuge in the homes surrounding the police station. Some of them climbed on the rooftops of houses and fired [their weapons]. They shot one or two policemen they saw at the supply office while they were on their way to the second police station. They also attacked the policemen who were guarding the installations."

Muhammad Nabawi Isma'il spoke about this criminal adolescent conduct and said, "Didn't those people imagine when they were committing their hideous crime and their irresponsible actions that they could shoot one of their brothers or relatives as well as the helpless people who were walking unprotected in the street on a feast day? Is this smart? They thought that there would be no controls, but they were wrong. In a short period of time the situation was normal in Asyut after policemen pursued them in the homes and locations where they had sought refuge. As a result 9 of them were killed and 10 were wounded and arrested. Another 37 persons who took part in these actions were also arrested."

#### Mock Helicopter Action

The deputy prime minister and the minister of the interior said, "I contacted my associate, Field Marshal Abu Ghazalah and we set up a mock operation involving two helicopters that flew over the security administration [building] to distract [the dissidents] for a while until police forces were able to take their proper action and to oppose them. When they began fleeing from the security administration [building], they were arrested. Some of them went into homes around the security administration [building], and they were pursued by policemen who arrested them and those who helped them. The [dissidents] got help from some people who had prepared their homes so they could hide them and those like them."

Nabawi Isma'il said, "One of [the dissidents] stood on the roof of the house opposite the police station. He had rapid firing weapons--automatic

weapons--and he began shooting at the station. One of the officers on the street shot him. The boy dropped his weapon, but he remained hanging from the rooftop of the building. Why would he put himself in such a position? Why would young people commit such serious criminal actions and terrify people? Did they think that they could get away with this easily after the late president's assassination? What would all this lead to? What is the reason for these adolescent and criminal operations, and why are they playing with fire? The spirit of evil and crime is engrained in them, and we warned them against it many times. We said that this was a wrong trend; it was neither religion nor Islam. Strange business! All the weapons that they had with them were Russian-made rapid-firing automatic weapons. We seized 18 weapons varying from automatic rifles to Russian pistols. They treacherously took away weapons from the soldiers who were shooting at them. But we now have these weapons back. We seized these weapons which they had taken when we attacked them in their hideouts. We also seized many documents and papers indicating their plans. There were names and data about their plans. We also seized two bombs and military clothing which they were going to use to deceive people and to carry out their attempts."

#### Blind Malice and Foolishness

The deputy prime minister said, "This deviant handful of people were disappointed when the people in Asyut felt that something unusual was going on. They became aware of it, and the police forces became aware of it. They took up their positions and shot at them after they began their attack and wounded a few armed policemen whom they caught unawares. An officer died. The police opposed them from the first moment despite the surprise factor]. This is all that happened in Asyut. A few foreign correspondents told me they had been following the incidents and they found the broadcasts of the rejection states exaggerated."

The deputy prime minister declared, "This is blind malice, recklessness and a loss of the power of perception."

#### A Great Nation

The deputy prime minister concluded his interview with the female television announcer by saying, "The people of Egypt are a great and noble people. They mourned their departed leader. Millions from all the governorates wanted to march in his funeral. The grass roots of our nation and all its groups and sectors are well and in the best shape they can be in. As I told the late leader as a result of the previous referendum: the Egyptian people are truly a great people. Situations affirm their greatness."

"Our people endure shocks, and they rise to the occasion to meet the hopes of the nation. Our people would teach the demented rejection fronts a lesson in conduct and gallantry by the firm stance they have taken. What happened was perpetrated by a deviant group, and they are a small minority among the people."

"It is regrettable that at the site of death and mourning one hears insults against the late leader from the rejection states and from the Soviets. Is this ethical or human? Is this Arab nobility or gallantry? At the same time many western countries are mourning the Arab nation's loss of the departed president while the madman, al-Qadhdhafi, has lost all the fundamentals of humanity.

"We are being called upon in these circumstances to form one rank to preserve our country and the safety of our homeland."

8592

CSO: 4504/43



## HEAVY FINES FOR MISDEMEANORS TO BE INSTITUTED

Cairo THE EGYPTIAN GAZETTE in English 19 Nov 81 p 1

[Text] RADICAL changes in the penal code aimed at safeguarding values and the protection of society will be considered at today's meeting of the Legislative Committee, according to the Minister of Justice, Mr. Ahmed Samir Sami.

lishing sub - standard text - books for schools.

The amendments will provide for larger fines as a deterrent to violators who no longer respect the fines provided for in existing laws, the Minister of Justice said.

the peace and public shouting aimed at causing noise will be fined to a maximum of L.E. 200. This fine will also apply in cases of assault against civil servants or of insulting them while performing their duties.

Many offences seen to threaten national unity and the economic and social stability of the community would be punishable in the revised code and long prison sentences and fines would be applied to put an end to all breakdowns in public conduct, he added.

The Cabinet Committee on Legislation will concentrate on writing the amendments and draft laws which will then be referred to the Shura Council and the People's Assembly for discussion.

## RELIGION

Among penalties which will be stiffened are those punishing offences such as exploiting religion to destructive ends, illegal seizure of land and property hoarding small change to cause acute shortages, molesting women in public and pub-

Maximum fines for certain offences are expected to go as high as L.E. 500. A civil servant who leaves his post for no reasonable reason and without permission in a way that impedes work and causes harm to the public would fall into this category.

## NEGLIGENCE

Negligence in driving public transport vehicles which may threaten passengers' lives and result in damage to public property could also be punished by the maximum fine of L.E. 500 under the proposed amendments.

Molesting women in the street and committing obscene actions will be fined at a maximum of L.E. 300. This category will also include offences such as fraudulent actions related to official documents in marriages and courts as well as stealing papers from government files.

Noisy singing which disturbs

Speeches or sermons in the places of worship dealing with politics or government action will be punishable by sentences ranging between 6 months and 5 years if prior permission from the authorities has not been requested and received. This will be accompanied by fines ranging between L.E. 100 and L.E. 500.

The same penalty will be applicable in cases of abusing the religious call to propagate subversive and extremist ideas, a matter which threatens national unity and reveal a vile disrespect of religions.

Meanwhile a republican decree was issued yesterday defining offences and crimes which would be referred to emergency courts. Such courts will act as provided by the state of Emergency which was proclaimed last month following the criminal offence which claimed the life of the late leader Mohamed Anwar el-Sadat.

BRIEF BIOGRAPHIES OF NEW MINISTERS, GOVERNORS GIVEN

Cairo AL-AHRAM in Arabic 22 Sep 81 p 6

[Article: "Candidates in the Cabinet Change and New Governors"]

[Text] Ministers of State for People's and Consultative Assembly Affairs

Albert Barsum Salamah

He was born in 1905.

He graduated from the Faculty of Law, Cairo University, 1926.

He worked in the legal profession and was registered in [the court of] cassation in 1948.

He was appointed member of the People's Assembly (as a public personality) in 1971.

He was appointed to the People's Assembly's permanent committee in 1972.

He was appointed minister of state for People's Assembly affairs in March 1973.

He was reappointed minister of state for People's Assembly affairs in the cabinet formed under President Anwar al-Sadat's premiership on 25 April 1974.

He was appointed minister of state for Council of Ministers' affairs, followup and surveillance for the period November 1976-October 1977.

He was appointed member of the People's Assembly in 1976.

He was appointed member of the People's Assembly (as a public personality) in June 1979, then was appointed assistant secretary to the National Democratic Party.

Muhammad Rashwan Mahmud

He was born on 15 September 1925 in Jirja.

He is a graduate of the Institute of Higher Management.

He received a diploma in accounting and economics from the British Institute of Accounting in London.

He is a member of the board of the transportation companies (Ministry of Transportation).

In November 1971 he became a member of the National Assembly.

Mukhtar Hasan Hani

He was elected to the National Assembly in 1969 from the district of Qalyub.

He was made a member of the constitutional committee in 1971.

He was elected National Assembly member for the district of Qalyub in 1971.

He was elected vice chairman of the national mobilization committee in the People's Assembly in 1971.

He was an Egyptian member of the charter association for the union state between Egypt and Libya in 1973.

He headed the Arab parliamentary delegation that visited Mauritania in 1975.

'Abd-al-Hamid Radwan

He was born on 5 February 1941 and is a native of East Tawq, Sawhaj.

He is married and had three children in 1978.

He acquired a bachelor's degree in law at Cairo University, 1966.

He has been a member of the People's Assembly since 1971.

He has been chairman of the Sawhaj Governorate parliamentary group since 1974.

He has represented the People's Assembly at more than one international conference.

He has been a member of the youth committee, the legislative committee and the foreign relations committee of the assembly.

On 4 November 1977 he was appointed vice chairman of the People's Assembly.

On 23 June 1979 he was appointed vice chairman of the People's Assembly.

Mahrus Abu Husayn, Governor of Bani Suwayf

He was appointed assistant to the minister of war in May 1976.

He was appointed governor of the Governorate of Suez in May 1977.

On 27 November 1978 he was appointed governor of the Governorate of al-Minufiyah.

He enrolled as a member of the al-Minufiyah University council in December 1978.

'Abd-al-Halim al-Sa'idi, Governor of Qina

He is a member of the People's Assembly for the district of West Mahallah Ruh.

He has assumed a number of positions in local government, such as chairman of the district of East Cairo and assistant secretary general of the Governorate of Cairo.

'Abd-al-Munsif Hazin, Governor of al-Minufiyah

He was born on 3 February 1936.

He graduated from the Faculty of Letters at 'Ayn Shams University in 1964.

He acquired a bachelor's degree in psychology and social studies.

He found work as a social specialist in the Ministry of Social Affairs in October 1964.

He is a former armed forces reserve officer.

He was a member of the People's Assembly in three sessions, 1969, 1971 and 1976.

He was chairman of the social affairs committee of the People's Assembly for 5 years.

He was appointed governor of the Governorate of Qina on 28 November 1978.

Dr Naji Shatlah, Governor of Kafr al-Shaykh

He is vice president of al-Minufiyah Governorate and secretary general of the National Party for al-Minufiyah. He graduated from the Faculty of Agriculture, Cairo University, in 1959 and traveled on fellowship to the United States of America to acquire a doctorate from Louisiana State University in 1965.

He worked as an instructor in the Higher Agricultural Institute in Shabin al-Kawm in 1965, as an instructor in the Faculty of Agriculture at the University of Asyut, as an assistant professor in 1970, as a professor in the Faculty of Agriculture at Shabin al-Kawm, as a vice chairman of the faculty in 1975, then as vice president of al-Minufiyah University in 1980. He has been secretary general of the National Party in al-Minufiyah since 19 February 1979, is married and has three children.

Salah-al-Din Ibrahim, Governor of al-Minya

He was born on 12 August 1924.

He graduated from the Police College, class of 1945.

He worked in criminal investigation, then state security investigation.

He was appointed assistant, then deputy director of security for Cairo for 2 years.

He was appointed Isma'iliyah security director, then was promoted to the rank of major general, at which rank he was appointed to the position of assistant to the minister

of the interior for the canal and east Delta regions.

Ibrahim Mahmud Lutfi, Governor of al-Jizah

He acquired a bachelor's degree from the Faculty of Commerce in 1941.

He worked as an accountant in the National Bank.

He worked as an inspector in the Bureau of Accounting, then as financial director in the Railway Authority.

He was vice chairman of the Central Accounting Agency.

In March 1974 he was appointed chairman of the board of the Nasir Social Bank Authority.

In March 1981 a decree was issued extending his service as chairman of the board of the Nasir Social Bank to mark appreciation of his efforts and to benefit from his expertise.

Mansur Hasan Is Nominated for the Position of Vice Chairman of the People's Assembly

He was born in 1937.

He acquired a bachelor's degree in commerce, Department of Economics, Cairo University.

He has a master's degree in political science from the University of Michigan in America.

He was elected president of the Arab Students' Association.

After returning, he worked in the Information Section of the Arab League.

He was elected member of the People's Assembly for the district of Abu Kabir, al-Sharqiyah, for two terms.

He was appointed director of President al-Sadat's office for People's Assembly affairs on 7 February 1979.

He was appointed official spokesman of the National Party.

He was appointed minister of state for the office of the president and supervisor of the Ministry of Culture and Information in 1979.

On 20 June 1979 he assumed the tasks of minister of information and culture.

He was appointed assistant secretary of the National Party.

In 1972 he was chairman of the board of the General Nile Heavy Transportation Company.

He was a vice-chairman of parliament.



On 20 October 1977 he became chairman of the Cairo Public Transportation Authority.

In June 1979 he was elected vice chairman of the People's Assembly (for workers).

On 11 February 1981 he was secretary of the National Party board in the Governorate of Cairo.

11887

CSO: 4504/27

FORMER COLLEAGUE BITTERLY DENOUNCES KHOMEYNI

London 8 DAYS in English 14 Nov 81 pp 6-7

[Text] AYATOLLAH KHOMEINI'S words at Tehran airport on 1 February 1979 were ecstatic. As thousands of joyful Iranians swarmed about the 747 jumbo jet that flew him into revolutionary Iran, Khomeini declared that the country ought to be renamed 'Rezaian' after the famous family of dissidents who were arrested and tortured by the Shah's secret police back in the early 1970s. In a highly-publicised trial at the time it came to light that Khalil Rezai's two sons were brutally murdered by Savak and the father himself was forced to witness the gang rape of his young daughter.

Khomeini stopped short of proclaiming the new Islamic Republic of Rezaian, but he did appoint Khalil Rezai, now in his mid-sixties, as head of the Iranian Committee for Human Rights. As one Iranian journalist remarked: 'If Khomeini was Iran's leader, then Khalil Rezai was its conscience.'

Last week Khalil Rezai fled Iran. In Paris, where he joined a long line of exiled Iranian prime ministers, politicians and businessmen, all opponents of Khomeini's fundamentalist regime, the embittered Khalil Rezai told newsmen: 'My sons died to replace the Shah's regime with one that's a hundred times worse.'

As a close Khomeini adviser, Rezai was privy to some of the state secrets kept under tight wraps by the Ayatollah. Rezai told a Paris press conference that Ayatollah Shariat Madari, the only other clergyman whose influence comes close to matching Khomeini's, attempted to leave Iran last September, but was halted by the revolutionary authorities. Shariat Madari, the spiritual leader of the country's 10m Turkish-speaking Azerbaijanis, had applied for a visa to undertake the Hajj

pilgrimage to Saudi Arabia.

Rezai was also able to confirm persistent reports that during the past year Shariat Madari, who had criticised Khomeini's notion of a theocratic government, has also been kept under virtual house arrest in Iran's holy city of Qom, and barred from returning to Azerbaijan in the northwestern corner of the country.

Two independent Iranian sources also told *8 Days* that even Ayatollah Khomeini's own grandson, Hossein, is not above suspicion in the shaky Iranian republic. One version has it that Hossein's outspoken support of ex-President Abol Hassan Bani Sadr proved so embarrassing to the authorities that they issued an ultimatum: either the grandson cool off in a monastery for a couple of years, or face arrest. So, according to one reliable source: 'They locked him up in Qom theological seminary.' But another Iranian source claimed that Hossein remains in north Tehran under his grandfather's stern custody.

Although clerical and popular support for President Ali Khomeini's fundamentalist regime has waned, the various opposition factions remain as disparate and divided as ever.

No longer are the Mujaheddin willing to stage open street battles in the large cities against the zealous and heavily-armed Revolutionary Guards. After suffering more than 2,500 casualties in the last three months, according to the Mujaheddin's own reckoning, the guerrilla organisation realises that even with the backing of former President Bani Sadr they still cannot muster enough grass roots support for a mass revolt against the fundamentalists.

An Iranian businessman in Paris who frequently telephones contacts throughout

Iran told *8 Days*: 'Most Iranians are against the current regime of President Ali Khomeini, but they're not about to take to the streets in the same massive numbers that they did against the Shah. Iranians now are afraid, and cynicism has replaced their revolutionary fervour.'

Nevertheless, the violence escalates. Daily government executions continue, and the Mujaheddin guerrillas have retaliated by descending on small villages, rounding up all the Islamic prosecutors and policemen and then executing them after a hasty mock trial. So far, there are no signs of either side letting up. Khomeini, himself badly wounded several months ago by a Mujaheddin bomb, has rebuffed attempts by the more moderate clergymen in Iran's Majlis to reach some sort of reconciliation with the growing ranks of the opposition.

CSO: 4600/135

SOUTHERN FISHERIES PLANNING TO RENT FOREIGN SHIPS

Tehran KAYHAN AIRMAIL EDITION in Persian 4 Nov 81 p 10

[Interview with Hoseyn Amir-Mo'ayyed, managing director of Southern Fisheries]

[Text] Production of Southern Fisheries has doubled compared to last year, and this year twenty thousand tons of fish are being taken from southern waters. In an exclusive interview with the KAYHAN economic correspondent, Hoseyn Amir-Mo'ayyed, managing director of Southern Fisheries stated: "As a result of efforts to supply more fish to the market and preparing the refrigerators in Bandar Langeh, Kenarak, Jashk, and Chahbahar which began operation recently, we hope that during this year's fishing season we will be able to double our production of fish over past years."

He added: "It has been anticipated and estimated that during this year's fishing season which will begin on 6 November, twenty thousand tons of fish will be caught and supplied to the market gradually and that three thousand tons of this catch will be canned before being offered to the consumers."

In reply to the question of what measures had been taken to purchase a mother ship which the Southern Fisheries had planned earlier, Amir-Mo'ayyed said: "At present the question of buying a mother ship has been dismissed, and we are now ready to study renting foreign ships under conditions of proposed rates so we will be able to fill our requirements for fish this season by renting fishing ships at a reasonable price."

CSO: 4640/70

## BRIEFS

TRADE WITH PAKISTAN--Iran wants to buy more foodstuffs from Pakistan and increase rail traffic between the two countries, according to a senior Iranian foreign ministry official. Hossein Lavasani, director general for political affairs in the Iranian foreign ministry, recently led a nine-member economic delegation to Pakistan. At the end of the three-day meeting, Lavasani said Pakistan fulfilled Iran's three main criteria for trading partners now that it had turned away from US and Western European markets. Pakistan, he noted, was Islamic, a Third World country, and a neighbour. Since Iran's Islamic revolution, imports from Pakistan have quintupled, from \$45m in the year to June 1979 to \$230m last fiscal year. Iran is Pakistan's second most important export market, with only China buying more (\$357m). Iran's exports to Pakistan totalled \$2.5m last year, down from \$9.5m the year before. [Text] [London 8 DAYS in English No 45, 14 Nov 81 p 67]

CSO: 4600/135



DEPUTY MINISTER OF PETROLEUM INTERVIEWED

Paris L'USINE NOUVELLE in French 29 Oct 81 pp 72-73

[Interview with Abdul Mussim Samarraï, Iraqi deputy minister of oil, by L'USINE NOUVELLE special correspondent in Baghdad, Marie Sellier, date not specified]

[Text] Abdul Mussim Samarraï, Iraqi deputy minister of oil, met with L'USINE NOUVELLE in Baghdad. He explained the Iraqi oil situation following 14 months of conflict with Iran; he detailed the large development projects in this area; he got onto the problem of energy savings and new forms of energy, and he touched on relations with France. Sabri Al-Maini, the ministry's director general for foreign relations who was present at the interview, responded to our questions about prices and OPEC. Assertions were made which will be sure to cause surprise.

[Question] Before the conflict broke out with Iran, Iraq was the Middle East's fourth largest oil producer with a production of 3.5 million barrels a day. How much are you producing today, and what portion is exports? To what extent have your oil installations been damaged and how expensive is your reconstruction getting to be?

[Answer] Abdul Samarraï: We are currently producing 1 million barrels a day. However, I will not disclose to you the level of our exports which is a secret strategic piece of information. The damage suffered by our installations is sizeable, both regarding producing stations and with respect to terminals and our refinery equipment. Since certain refineries of ours have been destroyed, we are forced to export oil in order for it to be processed outside the country and to import an appreciable quantity of petroleum products from abroad. We are still in the process of assessing the damage, which is particularly difficult to do in the combat zone. So it is impossible for me to put forward a figure. But reconstruction will certainly take time--months, or even years--for the installations needing equipment with long delivery periods.

[Question] If the war were to come to an end, would you be in a position to rapidly regain your previous export level?

[Answer] Abdul Samarraï: Yes, as soon as the conflict ended we would be able within a short period of time to reach a production and export level equivalent to that of 1980. But it is also possible that the war might persist. Since the south's terminals are disabled we are currently exporting via the oil pipeline which links Kirkuk to Banias in Syria and of course through the one which ends up in Bortyol in Turkey which has not stopped operating during the conflict. Moreover, we are having talks with Lebanon in order to resume exporting from the Tripoli terminal--with a capacity of 500,000 barrels a day--but we are not able to judge what the result of those talks might be since we are not the only ones involved. The Lebanese-Syrian dispute in particular has an effect on these negotiations.

[Question] Where does the construction project of an oil pipeline linking the Basrah fields to Yambo in Saudi Arabia stand?

[Answer] Abdul Samarraï: This matter is only at the study stage. It is a gigantic project with many technical unknowns and the project's cost will exceed \$2.5 billion. But as far as we are concerned we are prepared to make this investment.

[Question] How are your relations with Saudi Arabia?

[Answer] Abdul Samarraï: We have excellent relations with the Kingdom of Saudi Arabia which has shown itself to be extremely fraternal and cooperative. Just like Kuwait, Libya and the United Arab Emirates, Saudi Arabia took over supplying our customers--particularly France and Italy which were our main purchasers--at the time when the war had its greatest effect on us, which was from September to March, and when those countries needed oil. Then it was the buyers themselves who stopped taking what they had been taking. For the market today is a buyers' market. You really saw that this summer when, instead of increasing their strategic reserves by 4 million barrels as usual, consumer countries drew down their stocks by 3 or 4 million barrels with the sole purpose of getting prices lowered.

[Question] You have recently reduced your price per barrel by \$2. Are you therefore indeed selling at \$34 a barrel?

[Answer] Sabri Al-Maini: No, that is wrong. We are currently selling at \$36 just like Saudi Arabia is for certain grades of crude.

[Question] Are you going to argue for unified pricing at OPEC's special meeting opening in Geneva this week?

[Answer] Sabri Al-Maini: We are very favorable towards unified pricing and it is in that perspective that we are going to Geneva. As you know, we belong to OPEC's long term strategy group, to which we have belonged from the start, by the way. We can only hope that an agreement will be reached, but that does not depend on us alone.

Abdul Samarraï: The problem is not so much that of prices as of production and the attitude of certain countries--which I will not name--which think that by continuing to produce at a high level they will ultimately be deterring any alternative to oil.

They are mistaken, for they themselves will have to turn to an alternative some time or other. By acting that way they are succeeding in doing little more than preventing small producers from selling their output. If a country which today is producing 9.5 million barrels a day, this would make it possible for all the African countries to regain a normal export level. The problem of prices is nothing but the result of that situation.

[Question] So you feel that Saudi Arabia is to blame, that Saudi Arabia, by deliberately keeping up a high output...

[Answer] Sabri Al-Maini: No! Saudi Arabia is acting this way to get the other countries to lower their prices. But if an agreement is reached in this area then it will certainly reduce its output. In this way a market equilibrium will be regained which benefits producers and not just consumers as is currently the situation.

[Question] Is not the decline in your oil revenues jeopardizing your sizeable investment program in the oil area?

[Answer] Abdul Samarraï: We are carrying out our plan as before. We are having absolutely no problem in financing our projects. What is more, the conflict has led us to increase our investments for security reasons and to start up jobs, some of which were only slated to begin in 1984, in order to anticipate the situation if the war continues. This increase is such that for our 1981 total we will have exceeded the \$2 billion of investments initially planned for petroleum development.

[Question] What are your main projects?

[Answer] Abdul Samarraï: The main part of our budget is devoted to exploration--we dug nearly a thousand holes in 1981--and to development of oil fields, which is quite expensive, especially when one is working with French companies whose services and equipment are particularly costly.

[Question] Does that mean that you would like to do without their services?

[Answer] Abdul Samarraï: No, of course not. On the contrary, we wish to continue our cooperation with France, whose technology is useful to us. Besides, if I am to judge by the number of French firms in Iraq, France is taking an appreciable share of our investments, not so much in the oil area as in the areas of BTP [building construction and public works], communications, transportation and data processing. Moreover, France is our number one partner after Japan if it is not in fact number one, period. Unfortunately that has not been stated enough in the French press.

[Question] You also must have plans in the area of natural gas since a large part of the natural gas you are producing is still burned off on the spot.

[Answer] Abdul Samarraï: In fact, that represents an important element of our investments, since until nationalization foreign companies were careful not to do anything whatsoever in this area. If it were not for the war, we would have

been in a position in 1984 to process all natural gas produced. In this area as in the areas of GPL [liquefied petroleum gas], naphtha, and petrochemicals, we have an urgent need for technology, technicians and training from developed countries such as the United States, Japan or European countries.

[Question] Are you interested in new forms of energy?

[Answer] Abdul Samarra: Certainly, and especially in energy savings. To have oil does not mean that energy is cheap. Besides, we are talking about a fossil resource so it is exhaustible. That is why 10 years ago we provided ourselves with a law in the area of energy savings, the results of which we are starting to appreciate. But there remains much to be done, in both the state production sector--the main consumer--and in the household sector. Moreover, we would like to develop the hydroelectric potential in the northern part of the country and to turn to solar energy which is quite appropriate for this country. Our objective is for solar energy's share to reach 2 percent of our energy total by 1990, but, for my part, I do not think that can be reached before the year 2000.

9631

CSO: 4419/2

IRAQI-LIBERIAN PRESS STATEMENT ISSUED 13 NOVEMBER

JN120909 Baghdad Voice of the Masses in Arabic 0800 GMT 13 Nov 81

[Text] Baghdad--Liberian Foreign Minister Gabriel Bacchus Matthews left Baghdad for Jidda this morning following a 3-day visit to Iraq at the invitation of Foreign Minister Dr Sa'dun Hammadi.

In a statement to INA, Matthews said the visit had positive results that will contribute to promoting bilateral cooperation. He was seen off by 'Abd al-Karim al-Amir al-Safir, chief of the second department in the Foreign Ministry.

Following is the text of a press statement issued on the Liberian foreign minister's visit to Iraq:

At the invitation of Dr Sa'dun Hammadi, foreign minister of the Republic of Iraq, Liberian Foreign Minister Gabriel Bacchus Matthews made an official visit to the Republic of Iraq 10-12 November 1981. During his stay in the Republic of Iraq, the Liberia Foreign Minister was received by Taha Ysin Ramadan, member of the Revolution Command Council [RCC] and first deputy prime minister and RCC member Hikmat Ibranim.

Discussions on bilateral relations were held between Dr Sa'dun Hammadi, foreign minister of the Republic of Iraq, and Liberian Foreign Minister Gabriel Bacchus Matthews in an atmosphere of frankness, amity and mutual understanding. Both sides expressed a sincere desire to further promote these relations to serve the interests of the Iraqi and Liberian peoples.

The discussions also dealt with the situation in the Arab region, international and regional issues of common interest and Arab-African relations. Both sides underlined the importance of strengthening Arab-African cooperation, asserting that the roots of the Arab nation's ties with the African peoples are entrenched in a common history, continue at present and increase in importance with time.

The Liberian foreign minister expressed deep gratitude for the warm reception and hospitality he was accorded during his stay in the Republic of Iraq.

CSO: 4404/127



## IRAQ

### ISLAMIC ACTION ORGANIZATION DECLARES HUNGER STRIKE

Tehran AL-SHAHID in Arabic No 62, 20 May 81 pp 28-29

[Interview with Unidentified Member of Islamic Action Organization in Paris by Muhammad al-Nuri: "Islamic Action Organization Announces Hunger Strike in Paris"]

[Text] At 10 a.m. on 22 April 1981 a group of young, rebellious Iraqis, who are members of the Europe chapter of the Islamic Action Organization occupied the building of Amnesty International in Paris. There they announced that they would go on a hunger strike of unlimited duration and maintain a sacred sit-in to protest the international conspiracy of silence against the tragedy of the Iraqi people who are suffering under the most violently tyrannical regime of the modern age. [The hunger strikers stated they were undertaking this action] to make the voice of the tyrannized people of Iraq heard in the world, to speak to the conscience of the world and to expose the media of the Iraqi regime as well as all the media of Zionist imperialism which have recently committed a crime by defending the regime of the al-Takriti assassin and portraying him as a national hero of the Arabs.

World news agencies relayed news of the hunger strike as soon as it was announced, and the news spread all over the world. Since it is committed to defending the rights of Muslim nations that are oppressed in their opposition to colonialism and imperialism, AL-SHAHID Magazine conducted this exclusive interview with the spokesmen for the hunger strikers at the offices of Amnesty International so that the truth about people's rights may prevail and the falsehood of tyrants thwarted. The interview went as follows:

In the name of God Almighty:

[Question] Who are you?

[Answer] We are members of the Islamic Action Organization which is struggling against the ruling tyrannical Ba'ath regime in Baghdad. We are striving to establish an Islamic government in Iraq to free the masses of the people from terror and torture; to spread justice and freedom; and to

realize the full independence of the oppressed people of Iraq. Many of our people have lost their lives in pursuit of that cause, and thousands have been imprisoned. We took up arms and decided to wage a holy war in the name of God and the oppressed. Every day one of our young people loses his life in the course of liberating Iraq from its executioners.

[Question] Why did you decide to stage a sit-in and to go on a hunger strike in Paris and at Amnesty International offices in particular?

[Answer] Our Iraqi people are suffering from the worst kinds of injustice and persecution. They are going through a severe historical ordeal in the gloom of three oppressive factors: [the oppression of] the terrorist regime; the oppression of the war against the Islamic Republic of Iran which is being forced on the Iraqi people; and the oppression of the international conspiracy of silence about the suffering of 13 million persons who have been persecuted for 10 years.

We are doing [this] to break the conspiracy of silence around the suffering of our people. We want to awaken the conscience of the world to what is happening in Iraq where all human rights are being violated. People are being killed, executed and tortured in prisons, and men and women--even children--are being collectively arrested. What is happening in Iraq has no precedent, not even in the Middle Ages or in the ages of al-Hajjaj, Ibn Ziyad, Genghis Khan, Pharoah and all the tyrants of history.

Going on a hunger strike is a means by which we hope to awaken the conscience of the world, and especially the conscience of the European people, who bear part of the responsibility [for what is happening]. This is because it is the regimes of these people that are providing Saddam's regime with the military, political and financial support that is perpetuating his terrorist, shaky government.

Regarding our reasons for choosing France, we did so, first, because some of us are students here. Second, because at present France bears the larger portion of the responsibility for this agony that we are suffering. France has agreed to act as agent and sponsor of U.S. imperialism in its decision to support Saddam and strike the revolution of the Muslim people of Iraq. Today, the French regime is supplying weapons and equipment to Saddam who forced our Iraqi army to wage a losing and an unjust war against a fraternal Muslim nation to serve the objectives of U.S. colonialism and to preserve the interests of foreign monopolies.

The French people do not know much about what is happening in Iraq where serious and continuous violations of human rights have been taking place, especially recently. Saddam became paranoid and began killing countless numbers of even old people and children. He has made thousands of families homeless, driving them away from their homes and their countries and leaving them in the desert.

Our duty is to make the French people aware of the tragedy of the Iraqi people. We hold the French people responsible for supporting an unjust,

terrorist regime, and we ask them to stop any military or political support for Saddam's regime in his insane, losing war against a fraternal, Muslim people.

Regarding our reasons for choosing the offices of Amnesty International, naturally it was not because we believe that it is the place of these organizations to bring an end to the tragedy of our Iraqi people and of all the other oppressed people. Our choice was due to the fact that the offices of Amnesty International would present the best forum from which our voices would be heard by the world, exposing the false Iraqi propaganda behind which Saddam's regime hides and with which he tries to cover up his crimes and his terror and pass himself off as a progressive, democratic ruler.

We do not have the funds from our oil which Saddam is spending lavishly on his hired media and on those who mouth his propaganda so as to expose his regime in this manner. The only thing we have is the voice of truth, a voice that is furious and has been ill-treated. For us this is enough to continue our efforts and to strive in our struggle against the falsehood of Saddam. We firmly believe that we will ultimately be victorious because right is ultimately victorious as God Almighty said, "Falsehood was bound to be discomfited" [al-Isra': 81]. The experience of the defenseless people of Iran who resisted the Shah's military, his funds and his world-wide deception and who were armed with nothing but their faith in God and in truth [gives us inspiration. Led by Imam Khomeyni the Iranian people, who are our best example and model, defeated the soldiers of the devil. We will continue to strive and to work until we overthrow Saddam and his regime and establish a just, Islamic government in Iraq.

[Question] What is happening in Iraq now?

[Answer] What is happening in Iraq today is shocking and unimaginable. Every day that goes by with our people under the Ba'th regime is like an eternity of suffering and pain.

There are 70,000 political prisoners who fight and oppose the regime. Among them are thinkers, professors, scientists, students and workers. Their crime was in saying that their God was Allah, and they refused to comply with Saddam's orders and yield to his tyranny which destroyed Iraq and its people.

The 100,000 martyrs of the Islamic Revolution reveal the magnitude of the popular opposition to Saddam. [The figure] also reveals the brutality and the barbaric quality of this treacherous regime.

A quarter of a million persons have been made homeless and forced to leave their homes. They were thrown out of their homes and out of their country by Saddam and left in the wilderness.

The torture that is taking place in prisons is shocking. Hands are amputated; eyes are gouged; and bodies are burned and disabled. It is terrible. It is incredible that most of those who get out of Saddam's prisons cannot

last long. A few weeks after their release, they are usually taken to their graves. Saddam's terror is not confined to Iraq. He pursues the fighters, the liberals and all those who oppose him abroad. The networks of terror and murder that are personally directed by Saddam have denied life even to Iraqis living abroad. After the death of the late Ayatollah al-Sadr, the late Ayatollah al-Sayyid Hasan al-Shirazi was killed in Beirut. Many Iraqi fighters were killed after them. Among them was the late Mr Salih al-Husayni and others who opposed injustice and tyranny. Those are the victims of Saddam's regime: thinking scientists and intellectuals who oppose him and the elite of Iraq's young people and students, the harbingers of its future.

This is above and beyond his recent crime, the aggressive war [he launched] against the Islamic Revolution in Iran in which 100,000 persons were killed and wounded. Iraq lost funds and scores of years of the the efforts the Iraqi people had put into Iraq's economic institutions, its military installations and in its army, which was formed to protect the people and the country against Israel and colonialism. Instead, that army was suddenly used to secure the hold of the Israeli occupation against the Islamic Revolution in Iran, the staunchest enemy of Israel and U.S. colonialism.

We firmly believe that Saddam's regime is inevitably doomed. Such a regime cannot last long despite the level of terror and the level of foreign and colonialist support it has. The Shah's regime did not last. However, we want to expedite the departure of this regime and relieve the Iraqi people of its burden and its crimes as soon as possible. We want to achieve the hopes of the Iraqi people who have been fighting against British and U.S. colonialism since the revolution of the 20th to establish an independent and free Islamic government. This will be realized soon, God willing.

[Question] How did the French regime, and especially the French police, treat you?

[Answer] The regime here showed us its true colors in the French police which actually provided the best reflection of the French regime's attitude toward the people of Iraq. Our treatment by the French police was consistent with the attitude of a regime that arms the enemy of the Iraqi people, Saddam al-Takriti. It was not unlikely that the French police treat the representatives of the Iraqi people as cruelly as they did.

we had terrifying moments with the French police which used to chase the freedom fighters everywhere in Paris when they were distributing leaflets that voiced opposition to Saddam, writing slogans on walls or putting up posters that had pictures of martyrs and expressions of death to Saddam. [Some of these expressions], which were in French and in Arabic were: Down with the Ba'th regime; Victory to Islam; Where are human rights in Iraq? There are 1,000 martyrs in Iraq; and Long live Imam Khomeyni, the leader of the Islamic Revolution.

French police detained freedom fighters more than once and questioned them. The police asked those freedom fighters to leave France and not to reside

in the country. They also deported some freedom fighters after arresting and torturing them for no crime that they committed; they only wanted to make the world and the conscience of the world hear their people.

[Question] Have political organizations and parties supported you?

[Answer] So far we've had support from a large number of Islamic and national organizations and a number of freedom-fighting scholars. We received wires expressing support from the Islamic Alliance of Iraqi Students in London, from the Alliance of Islamic Students in Britain, from the Islamic Committees of Muslim Students in the United States, from Tunisian students in France, from the Society of Muslim Students in Brussels, from the Islamic Front for the Liberation of Bahrain and from the Alliance of Muslim Students in the Arabian Peninsula living in Europe and the United States.

[We also received expressions of support] from the Alliance of Iranian, Muslim Students in France. We also received a wire expressing support from the religious authority who was banished from Iraq, the Great Ayatollah al-Sayyid Muhammad al-Jasini al-Shirazi. [We also received expressions of support] from the freedom-fighting religious scholars in Iraq and from a number of freedom-fighting scholars outside Iraq.

[Author's Comment] Before leaving the offices of Amnesty International the correspondent of the French newspaper, LE MONDE and a number of French journalists came in to interview the hunger strikers and to ask them the reasons and the objectives of their hunger strike. Thus, we bid the Muslim fighters farewell, and we hope to meet them in Baghdad on a bright, sunny morning that would usher in victory and independence.

8592

CSO: 8004/046



OPPOSITION, STRUGGLE AGAINST SADDAM'S REGIME CONTINUES

Tehran AL-SHAHID in Arabic No 62, 20 May 81 pp 14-15

[Article by Abu Layth: "Iraqis Fighting Saddam on the Front of Truth"]

[Excerpt] The Action Organization and the Perpetual Readiness

All the members of the military arm of the Iraqi Islamic Action Organization who have joined their brothers in Islam to defend the state of the Koran affirmed in our meetings with them that they will continue fighting regardless of the circumstances.

Abu Sadiq, one of the officials of the organization who has been leading a group of young believers against the mercenaries of the infidels even before war broke out and who is still leading them now, said, "It is our duty as Iraqis to be on the front lines opposite the mercenaries of al-Ba'th who are fighting the Iranians. This attack is nothing more than a conspiracy prepared in advance by the enemies of Islam to destroy the Islamic people in Iraq after imperialism lost all its interests in Iran and received a blow the likes of which it had never received before in the course of its lengthy career of subjugating people. This war was never a war between Persians and Arabs, as the infidel bunch of al-Ba'th claim it is."

Regarding the capabilities of the armed military groups and their ability to resist the tribal regime that is in power in the country and abroad, Abu Sadiq added:

"We have young people who are believers and who went through intense military courses to become qualified to oppose the enemy with full force. Although our groups are few [in number], compared with the groups of Iraqi and non-Iraqi mercenaries and with the material incentives [they have], those who sacrifice in the cause of God alone will come out ahead in the confrontation. Therefore, one finds that they fear nothing [and no one] but God. The Prophet's Tradition [tells us], 'He who fears God will be feared by everyone else.' Therefore, our confrontation with the agents of al-Ba'th in Iraq and outside it, but especially on the various battlefronts, affirms that our victory, which is a victory for Islam, is at hand. The day will

come, God willing, when we will proclaim our victory to the leader of our Islamic course, the great Imam Khomeyni, and to our oppressed people in Iraq."

"You mentioned in your statements confrontation with the Ba'th regime inside and outside Iraq. What is the nature of this confrontation?"

"You know and many people know that the first outbreak in the armed struggle in Iraq was carried out by one of the freedom fighters of the Islamic Action Organization in Iraq on 10 Muharram 1400 Hegira [30 November 1979] in the heroic operation which the late freedom fighter, Talib al-'Alili executed when he assassinated one of the agents of the infidel regime. This was followed by the al-Mustansiriyah operations which were carried out by the late freedom fighter Samir Nur 'Ali. [That was followed by] the al-Waziriyah operation which was carried out by the late Abu Khalid. That operation shook up the principals of the regime who were saved from this confrontation only by calling upon British and U.S. minds for help. The advice offered by those was to expatriate the faithful people of Iraq for no other reason than the fact that they were saying Allah is our god. However, this did not save the regime. The operations of our freedom fighters expanded and were also moved outside Iraq. The assassinations of al-Ba'th agents were examples of these heroic operations. The first of these was the attack on the Iraqi embassy in Rome; it was carried out by the late Muzaffar Bakr. [Another operation] was the assassination of one of Saddam's in-laws while he was in Paris to conclude a deal with the French government for the purchase of Mirage airplanes. All these operations, in addition to the participation of our brave men in successive operations with the faithful forces of the Islamic Republic to ward off the treacherous attack and their participation with other groups that go into Iraq occasionally, indicate that the faithful Iraqi people reject all forms of bargaining with the bunch of agents in Baghdad. Let me say finally that the Muslim groups of our fighters will not put down their arms until victory is achieved. This is not improbable, for God promises us [victory] in a number of His Holy verses.

" 'In the name of God, the Merciful the Compassionate: We succoured them, and they became victorious' [al-Safat: 116]; 'Believers, if you help Allah, Allah will help you and make you strong' [Muhammad: 7]; 'We shall help Our apostles and the true believers both in this world and on the day when the witnesses rise to testify' [Ghafir: 51]. God the Great spoke the truth."

As we bid Brother Abu Sadiq farewell our hearts were with him and with all the Iraqi freedom fighters who are standing up to the bunch of al-Ba'th. They do not fear death; they have transcended all narrow racist and regional values, and they have established their revolutionary qualities and their sincerity to God's message.

Yes, we bid them farewell and we saw victory, hope, determination and a firm resolve in their eyes.

The impression I had which captured my attention is the interest which Brother Abu Sadiq and the leadership of the organization have in the military course which proves the revolutionary character of this organization and the accuracy of its view of the confrontation.

## BAGHDAD ROUNDUP ON IRANIAN POW MESSAGES

NC211326 [Editorial Report] Baghdad in Persian to Iran at 0600 GMT on 18, 19, 20 and 21 November carries recorded messages of Iranian POW's to their families and friends.

On 18 November the radio starts its program on recorded messages with a talk addressed to "Iranian sisters and brothers and families who (?have suffered) from the war." The talk says that "the POW's in Iraq are living under very (?good) conditions and all living facilities are given to them. Their only thought is to free Iran from the clutches of clericism and to see their dear ones again. This humanitarian and natural wish of theirs led us to reply to their request on making their message reach the ears of their compatriots and members of their families. (?We informed them) that they can send their messages to their families and inform them of their health. They were truly overjoyed." The radio then invites listeners to hear the messages of "the Iranian military captives who are actually Iraq's guests." The recorded messages that follow are all by enlisted men who state their name and address and ask listeners to inform their families and friends that they are well. One such message is from Private ('Abbas) [name indistinct] who says: "I was captured about a month ago in the Shush front by the Iraqi forces. I am very well and send my greetings to my mother, father, sister, brother and friends. I hope all of them are in good health. We thank those who are looking after us here. They are truly going through great troubles. We hope that the war ends and peace comes so that we can return to our homeland. I ask all those who hear my voice to inform telephone number 963070, Mr (Rudakani), or number 922067 [name indistinct], so that they can inform my family."

On 19 November, the radio opens its recorded messages program with a talk addressed to "the brothers in the armed forces, NCO's and brave soldiers of Iran." The talk then goes on to say that "Iraq and the cities of Karbala, al-Najaf and Kazemeyn are waiting to welcome you. By joining the Iraqi Armed Forces, you leave the defense of Khomeyni's anti-Islamic, antipeople and anti-Iranian regime to the revolution guards and opportunist mullahs. Khomeyni's regime is a warmongering regime and its (?doings) are contrary to the teachings of Islam and of the pure Mohammedan faith. Do not listen to the regime's fabrications and to the deceits and charlatanism of a bunch of sly mullahs whose intention is nothing but your destruction. Do not get yourself killed uselessly for the sake of preserving Khomeyni's fascist regime, a regime that has murdered tens of thousands of children, youths and your brothers and sisters. The officers, NCO's and privates who join the Muslim Iraqi forces will see, from the first moment after they are welcomed, the Islamic morals and behaviour of their Iraqi brothers." The same type of messages as broadcast on the previous day--name, address and short message--are then broadcast.

On 20 November the radio carries an opening talk, several short messages and a long message by one of the POW's (filed as NC211015).

On 21 November, the radio is heard with very poor reception to carry an opening talk addressed to the "brave officers, NCO's and privates" telling them that "the Iraqi (?forces) consider you to be their brothers. So far hundreds of the armed forces officers and NCO's have joined the Iraqi forces and are living (?next to their Iraqi brothers) in Iraq. The Iraqi forces welcomes you, oh brothers in the armed forces, with open arms. If you want (?to stay alive), if you want to save Iran, if you want (?to enjoy the support of the Iranian people) leave the war fronts and join the ranks of the people [words indistinct]. If you are (?near Iraqi positions) [words indistinct] you can hoist a white banner and surrender. Iraq, the (?Muslim country) and the country (?where the imams) [words indistinct] will welcome you brothers warmly. Oh brothers in the armed forces, oh (?brother) officers, NCO's and privates of the armed forces [words indistinct] and gendarmerie: Advise your dear ones [words indistinct] (?to give themselves up to the Iraqi forces)." The remainder of the talk is unmonitored, but points heard speak of how Iraq does not wish "its brothers in the armed forces to be killed on the fronts or to become victims of the executioners of Khomeyni's regime." In conclusion, the talk is heard to call on the military personnel to join the Iraqi forces and to "overthrow an anti-Iranian, antipeople and anti-Islamic regime."

The radio then broadcasts a recorded report from "one of the POW's camps" and says that "we have reiterated that we do not call these people prisoners but we consider them to be our dear and Muslim brothers." A recording of remarks by an Iranian POW is then broadcast who says that "after talking with officials of the camp and so that we would not waste our time" a request was made "and workshop was formed here" where a number of sewing machines were installed. In continuation he says that the Iranian Armed Forces personnel who are in the camp were put to work on the sewing machines. He then goes on to apparently tell "the International Red Cross" not to worry about them. He adds that the Iranians in the camp are receiving a wage for the work they do and says that they are well treated by the Iraqis. Other POW's interviewed express satisfaction with their jobs and health and their hope that the war will end soon.

Reception improves during the last message by an unidentified person who addresses his 10-minute talk to the Iranian nation in which he condemns the Iranian regime and praises the "Mojahed youths, or the constructors of a flourishing Iran," and warns the regime "in the name of a military."

CSO: 4400/65



## BRIEFS

AHVAZ ARAB FRONT ADDRESSES MINISTERS--Baghda, 22 Nov (INCA)--The Arab Front for the Liberation of Ahvaz has appealed to the Arab foreign ministers that the Ahvaz Arab people's struggle should have a voice in the 12th Arab summit conference, opening in Fes on Wednesday. In a message addressed to the Arab foreign ministers conference, which began meetings in Morocco today, the front reviewed the Khomeyni regime's repressive, savage practices against the Ahvaz Arab people--practices which exceed those of the shah's regime. The message added that the new rulers had announced that the four million people in Ahvaz Province are not Arabs but Persians speaking Arabic as a result of living near Iraq's border. The message said: In view of this new situation, our people had no alternative but take up struggle once again, unimpeded by the Khomeyni regime's harsh treatment, imprisonment and inhuman executions, which reached their climax in cruelty by mutilating dead bodies, dismembering those sentenced to death before executing them, killing children, disemboweling pregnant women and other reprehensible actions. Concluding its message, the front asked how a racist Persian regime like that of Khomeyni can stand at the side of the Arabs in any of their fateful pan-Arab issues. [Text] [JN221953 Baghdad INA in Arabic 1830 GMT 22 Nov 81]

ITALY, IRAQ ECONOMIC COOPERATION--Baghdad, 26 Nov (INA)--Iraqi Trade Minister Hasan 'Ali and Italian Foreign Trade Minister Nicola Capria today signed joint minutes for economic and trade cooperation between Iraq and Italy. The signing of the minutes came at the end of the third session of the joint Iraqi-Italian committee for economic, trade and technical cooperation. In a speech at the ceremony, 'Ali pointed out that Iraq and Italy are determined to develop and enhance cooperation in various fields. He added that the two sides will map out a working program to organize their relations in 1982. In a reply speech, Capria said that economic relations between the two countries have reached an advanced stage and they are forging ahead toward attaining development and progress in service of the two countries. He expressed hope that Iraq would achieve its objectives in the economic and social development. The minutes include the 1982 cooperation formula in the fields of trade, industry, agriculture, irrigation, transportation, communications, construction and technical cooperation. The next session of the Iraqi-Italian joint committee will be held in Rome during the last quarter of 1982. The signing ceremony was attended by the Italian ambassador in Baghdad and the members of the Iraqi and Italian sides to the committee. [Text] [JN261805 Baghdad INA in Arabic 1715 GMT 26 Nov 81]

CSO: 4404/127



## BEGIN DISCUSSES KNESSET TACTICS

TA101207 Tel Avid YEDI'OT AHARONOT in Hebrew 10 Nov 81 p 4

[Report by Yisra'el Tomer and Gid'on Reicher]

[Text] All Knesset votes will be concentrated on 1 day of the week so that ministers can participate in the vote and to avoid parliamentary defeats. This was decided upon yesterday by the coalition factions in their first meeting since the establishment of the current Knesset. The prime minister attended the meeting.

Prime Minister Begin, who was the only speaker during the session--which was held in a cordial atmosphere--announced that the cabinet is determined to serve for 4 years and that no talk on holding early elections would help.

Begin dismissed the fact that the coalition holds power by only a narrow margin, saying that even the victory of the U.S. administration on AWACS was reached by a majority of only 2 votes.

Begin devoted a large part of his remarks to rebuking those coalition faction members who frequently abstain from the sessions and the votes. "It is scandalous that colleagues do not show up and the coalition sometimes loses in votes," he said, and retorted: "Why can't the Knesset members be at work 2 and 1/2 days a week?"

Later Begin expressed anger at those coalition and Likud MK's who periodically announce that they cannot vote on a certain issue because of "conscientious objecting." In his opinion there is only one matter that affects one's conscience: religion.

Begin listed the four major goals of his government for the next 4 years:

--Fortify peace, for which such a high price has been paid.

--Prevent the repartition of western Eretz Yisra'el and the establishment of a Palestinian state.

--Improve the economy.

--Rehabilitate slum neighborhoods.

Coalition Chairman MK Avraham Shapira specified the steps that are aimed at guaranteeing proper coalition functioning in the Knesset, including a resolution that every Knesset member from the coalition factions who wishes to go abroad would have to obtain a written approval for his trip from the coalition executive.

## BEGIN REPORTEDLY DOES NOT TRUST HIS CABINET

TA091407 Tel Aviv HA'ARETZ in Hebrew 9 Nov 81 p 1

[Report by 'Uzi Benziman]

[Text] Prime Minister Menahem Begin yesterday told members of his cabinet that he refrained from submitting to them for debate sensitive issues connected with foreign affairs and defense since he could not rely on their ability to refrain from leaks. This was said by Mr Begin in reply to questions raised by the Minister of Communication, Mordekhay Tzipori, with regard to several moves and positions in the spheres of foreign affairs and defense. Tzipori asked why Nadim Zaru, former mayor of Ramallah, who had been expelled, had been brought back, and whether government policy had changed on this subject. The prime minister answered that Zaru was returned at the instruction of Defense Minister Ari'el Sharon, with the prime minister's knowledge, and that no policy change had occurred. It was nevertheless decided to conduct a debate on this in the government plenary in the near future.

Tzipori also asked what will be the Israeli Government's position on the deliberations with the American administration regarding strategic cooperation, to take place between the defense ministers of both countries at the end of the month. Mr Begin's reply to this was that he was prevented from bringing before the government the positions to be presented by Mr Sharon in his talks with Caspar Weinberger, since a prior government debate would be leaked and reveal to the Americans Israel's considerations and tactical positions in the negotiations. "Can I submit these subjects to you for debate?", Mr Begin asked. "Are you ready to promise that there will be no leaks? You know very well that you are not capable of taking upon yourselves such a commitment."

In this connection Mr Begin complained that he was not successful in forming a ministerial defense committee, since he was not willing to establish a committee of 13 ministers (the number of cabinet members considering themselves entitled to be included in the committee), and that he therefore had no choice but to carry on the unofficial consultations with a few of the cabinet members (in particular: Sharon, Shamir, Burg and Ehrlich -- 'U.B.). The prime minister promised however that subjects of foreign affairs and defense would be submitted to the government plenary before decisions are adopted. This rule will apply also to the negotiations to be conducted by Minister Sharon in the United States on the subject of strategic cooperation.

Minister of Transportation Hayim Corfu jokingly remarked that Mr Begin could immediately form a ministerial defense committee (of five members), according to his wish, since he was assured a majority in the cabinet on this matter: the five ministers to be included in the committee, as well as five other ministers who do not demand to be appointed as members (Meridor, Corfu, Sharir, Pat and Berman).

CSO: 4423/42

PERES ON ALIGNMENT-LIKUD COOPERATION

TA061921 Jerusalem Domestic Television Service in Hebrew 1815 GMT 6 Nov 81

[Labor Party chairman MK Shim'on Peres interviewed by Party Affairs correspondent Nisim Mish'al--date and place of interview not given--viedotaped]

[Excerpt] [Question] Mr Peres, the idea of establishing a government of national unity this week gained considerable momentum. The question is: Under what conditions would you be ready to join such a government?

[Answer] Since we are dealing with a very serious issue, I would like to clarify each point. First of all, I would want to know what is involved: Our joining Mr Begin's government as it is? In my view, this would not be a government of unity. Those who are proposing this idea assume, I take it, that the present government would be disbanded, and a new government formed. I doubt that this is the Likud's stand.

[Question] And in this situation, would the alignment be ready to join--if a new government were to be formed?

[Answer] I have not yet finished explaining my stand. A national unity government can, I believe, be formed, in one of two cases: Either an emergency situation is created--and I am not just speaking of a military emergency, I can definitely imagine a political emergency, which I shall outline briefly. If we withdraw from Sinai and the peace is imperiled, if relations with Egypt deteriorate, and our relations with the United States hit an even lower point--that is, we end up without Sinai, without peace, without Egypt and without the United States--there is no doubt that this would be a political state of emergency.

[Question] And only then you would be ready to join a national unity government?

[Answer] I did not say "we." I ask: What are the objective conditions under which it is possible to speak seriously about a government of national unity, and not just some momentum or other. There is also another possibility: You see this kind of emergency situation forming on the horizon, and you say, let us prevent it. In order to prevent it, you need certain clauses and a joint political platform. What must be done to prevent the formation of such a state of affairs? In other words, you need a new governmental platform.

To be perfectly clear on this issue: I believe that none of these three elements now exists. I believe that the Likud government thinks that the situation is still very good--that is not my view, and I hope that the serious things I have described will not come to pass, although there are incipient manifestations of each of these four [as heard] elements which are very bothersome. I am certain that every Israeli should today be worried. At this moment, I cannot see any joint platform between ourselves and the Likud. The Likud is going in one direction, while we are going [word indistinct] in the opposite direction.

[Question] In your Knesset speech this week, you spoke of Israel now being in a state of emergency. If this is in fact the situation, why do you not initiate or work for or call for the formation of a national unity government?

[Answer] I do not believe that I can convince--as I have said this throughout the years--for what is the issue here? It is not a matter of Mr Begin's wanting the whole land of Israel while we do not want it. If this were the choice, who among us would concede even an inch of territory? But Mr Begin believes that he, through his policy, can bring Israel to a safe haven and to a paradise on earth, whereas I believe that the price of his policy is unbearably heavy. In order to form such a government, both sides--the Likud and the Alignment--must arrive at the identical conclusion, but we have not arrived at it. We view the situation with gravity; the Likud seems to view things rosily and artificially.

CSO: 4423/42



## 'MA'ARIV'S' HARIF ON ISRAELI-U.S. RELATIONS

TA061607 Tel Aviv MA'ARIV in Hebrew 6 Nov 81 p 13

[Excerpts] When we met the prime minister at the beginning of the week in the Knesset after he had delivered his speech, he could not predict how things would develop in the course of the week. The opening shots had been fired and there was nothing to do but to wait and see if they had hit the target. "We shall overcome...we shall overcome," said the prime minister. How? That he could not say, nor predict the future events, but he was convinced: "We shall overcome."

That was on Monday afternoon. Before noon on Wednesday, the Deputy Chief of Mission of the U.S. Embassy in Tel Aviv, William Brown, came away from a meeting with the prime minister after handing him a note from Secretary of State Alexander Haig, which the prime minister was able to term "highly estimable." Its substance was a reaffirmation (likewise made public by Haig the same day in Washington) that the United States regards itself committed to just one thing: the Camp David accords--and consequently does not, ostensibly, regard the Saudi plan as the basis for a peace settlement.

In his message Haig also had other things to say. He requested of the prime minister: "Let bygones be bygones and let us look to the future...for the sake of our mutual interests..."

Still, for the present at least, there would appear to be no grounds for reassurance, despite the positive developments that shaped up in the 2 days after the prime minister's Knesset address signal to Reagan that his administration was making its calculations without taking into account the partner in control of at least 50 percent of the "deal," that is to say, the Middle East conflict.

These developments--the hasty communique inviting Defense Minister Ari'el Sharon to meet with Secretary of Defense Caspar Weinberger to conclude a memorandum of understanding on strategic cooperation between the two countries, and Haig's note the following day may be proof that the administration does indeed accept Begin's dictum that "without Israel's agreement, there will be no agreement in the Middle East." But if that is so, the question arises why the United States has seen fit to behave as it did in the past few days: to ignore the conclusions arrived at by Begin and Reagan, to defer implementation of the conclusion arrived at by Weinberger and Sharon on a memorandum of understanding, and to proclaim almost daily that there are also "positive" points in the Saudis' eight-point plan: up to the moment when Begin asserted from the Knesset rostrum that Israel was admittedly a small country,

but constitutes 50 percent of any agreement in the Middle East--until then, were the Americans unaware of this "revelation"?

One can argue, of course, that this is an inexperienced administration which, having Middle East events thrust upon it at a time when it wished to devote itself primarily to domestic affairs and to promoting the U.S. economy, and therefore is constrained to find solutions and steps that would leave the initiative in its hands. And being ill-prepared for these events, it has, in its bewilderment, necessarily blundered.

A different appraisal of the "misunderstandings" with the United States was voiced in a meeting this week by Defense Minister Ari'el Sharon. In the main, these stem from the absence of a clear U.S. policy. They (the Americans) are trying to operate simultaneously in several different directions. And within the framework of their endeavors to conquer the hearts of the Saudis, the Egyptians and even the Iraqis, the element that can most easily be ignored--so it seems to them--is Israel.

To those in the meeting who may have wondered how the Iraqis came into the picture, Sharon was able to relate what he had earlier in the week related to U.S. Ambassador to Israel Samuel Lewis when the latter sought to contradict the defense minister's public utterance to the effect that Iraq was currently among the happy recipients of American weapons:

"We know nothing about it," was Lewis' rejoinder when Sharon stood by his remark.

But Sharon insisted: "I can prove it to you..."

"Certainly not direct deliveries," the U.S. ambassador added in defense of his stand. "Perhaps indirectly, without U.S. knowledge..."

"No," Sharon asserted. "Directly too...and I can prove it to you."

However, when pressed in public to elaborate on this subject of arms deliveries to Iraq, the defense minister made do with throwing out a hint. At the meeting he said: "We could have used this intelligence to facilitate our campaign against the AWACS deal, but there are certain things between countries which just aren't done..."

Presumably the ambassador was at last convinced that, even without the benefit of strategic cooperation, Israel knows something about what the United States is up to in the region. And this conduct by the Americans gives us pause for reflection: If the Reagan administration really intends to establish strategic cooperation with Israel, and if the nice things Reagan said when Begin visited the White House were not merely designed to help him gain Israel's consent to the deal with the Saudis, then what do we see of this in practice? Is a serious strategic partner precluded from knowing about U.S. aims regarding Iraq--the same Iraq which has openly spoken of Israel's destruction?

There is no doubt that the Americans are seeking to cook up something with the Iraqis. When Secretary of State Haig concluded his visit to Israel last April and returned home, a member of his entourage here, Morris Draper (deputy assistant secretary of state in charge of the Lebanese desk) left for talks in Baghdad.

Then and there warning lights went on in Israel: What, from Israel's point of view, was the significance of the United States' wooing of Iraq? (Now it is comprehensible why Washington reacted so vigorously--suspension of plane deliveries to Israel--following the destruction of the nuclear reactor in Iraq.) So, even when the United States says, through its ambassador that it knows nothing about the supply of U.S. weapons to Iraq ("certainly not directly"), there is no reason to shut off the warning lights.

The defense minister told his colleagues that what has been shaping up of late in U.S.-Israeli relations, prior to approval of the AWACS deal with Saudi Arabia and all the more so after it, when the heads of the administration "suddenly" began to talk favorably about the need for talks with the PLO ("if" it recognizes "Israel's right to exist") and have now discovered how positive is the Saudi plan, constitutes evidence of a process liable to hurt Israel badly, so it must be halted at once.

Borrowing a concept from the military sphere, Arik explained to his colleagues: "It seems to me that the state of relations now prevailing between the United States and Israel can be defined as follows: The two sides, the United States and Israel, are deploying in staging areas." (That is, an assembly at which objectives, targets and division of forces are discussed prior to the launching of deliberately initiated operations.)

Not all the possible U.S. initiatives are clear as yet, but enough is known for Israel to be convinced that it is dutybound to make it immediately clear, in various and tangible ways, that no U.S. plan or initiative will succeed if it ignores Israel.

This is the meaning of the key sentence in this week's Begin speech in the Knesset: "Without Israel's agreement, there will be no agreement in the Middle East."

Defense Minister Ari'el Sharon also said as much in a conversation with Samuel Lewis, which took place at the ambassador's request after he had seen a press report that Arik "had no time" now to visit the United States in order to meet with Secretary of Defense Caspar Weinberger on the subject of strategic cooperation.

Lewis, the skilled professional diplomat "smelled" something. He knew that Weinberger had not sent any invitation to Sharon (even though at their meeting in Washington it had been arranged that Sharon would be coming early in November). So what was behind this statement attributed to the defense minister that he was "postponing the visit" because of other business?

To get to the bottom of things first hand, Lewis asked to meet with Sharon. And he heard: He heard about the delivery of U.S. weapons to Iraq...and he heard that "from this moment on" Israel regarded Saudi Arabia, Washington's pet, as a confrontation state "in all respects"...and he heard that the United States need not be surprised by developments in Lebanon, since Israel could not indefinitely tolerate the scores of violations of the cease-fire perpetrated against Major Haddad's enclave...

And what of the "postponement" of the minister's U.S. visit?

Sharon strove to put on a show of indifference. He explained to his visitor that even though he was interested in going to Washington, "it is important for all concerned to know we will defend our own interests by ourselves...we have nothing to gain by being argumentative but we shall not yield on matters that are vital to us."

Lewis was able to grasp the intent of the statement, "we shall defend our own interests by ourselves" in the context of the warning that "the United States need not be surprised by what will happen in Lebanon if the violations there persist..." And he could get the import of "we shall not yield on matters that are vital to us" in connection with the assertion that Saudi Arabia is "from this moment on a confrontation state in all respects."

Without going into details, Sharon told the ambassador: "To demand consideration without bestowing consideration is to demand the absolute impossible. Everything rests on reciprocity."

During consultations in Jerusalem this week, the defense minister's colorful military imagery served to make concrete the emerging reality: "It seems to me that all parties now realize where they are heading. Anyway, it is clear to them (the United States) that we are heading for a struggle, and struggle we shall...in the IDF we have so-called 'combat patrols'--we have to be careful that a patrol does not evolve into an unplanned war..."

Did Sharon drop Lewis a hint about the invitation not forthcoming from his counterpart, Caspar Weinberger?

"We asked for nothing. This is as much in their interest as it is in ours..."

The Sharon-Lewis conversation took place on Sunday [1 Nov]. The fact that two days later, on Tuesday, Sharon received an invitation from Caspar Weinberger to go to Washington to discuss conclusion of the memorandum of understanding on strategic cooperation, is of course very significant. The proximity between the delivery of the invitation and the Sharon-Lewis conversation cannot be dismissed as a mere coincidence. The full content of the conversation, as reported to Washington by the ambassador, was a fitting incentive. Likewise, the announcement of the imminent trip by Philip Habib, whose mission (removal of the Syrian missiles from Lebanon...) was all but forgotten may be seen to have been prompted by statements on the "gravity of the situation now prevailing in Lebanon" and by the defense minister's tour of the Haddad enclave in the company of the chief of staff and IDF generals. In his Knesset speech, the prime minister said. "We shall await his (Habib's) arrival and see what he brings; if there is no alternative, then we ourselves will destroy them (the Syrian missiles)."

Similarly, Begin prefaced his remarks with a quote from the note he received in this matter from President Reagan stating: "We decidedly concur with Israel that Syria has overstepped a certain threshold in its latest operations. It is incumbent on Syria to withdraw and to return to the status quo ante." (Begin: "There can be no more binding pledge than this on the part of the President of the United States"). What all this amounts to is the political justification for just such an operation against Syria.



The results were not long in coming: Sharon was invited there, Philip Habib will be coming here. It is plain that the administration grasped the hints from both Begin and Sharon (who are acting in finely honed coordination, in conjunction with Foreign Minister Yitzhaq Shamir).

True, the United States sought to explain the delay of the invitation to the defense minister as "technical and of no significance." But as Arik Sharon remarked: "Never mind, we know each other."

The American stake at the moment is clear: How to handle matters so that Israel will not be forced to take action against the Syrians. The United States hopes that maybe the Saudis will exert their influence on the Syrians, but they cannot be sure of this. Accordingly, it is the United States that needs a dialogue with Israel, to reassure it lest it invoke its right "to act in self-defense" against the Syrians, thus scuttling in one fell stroke all the initiatives being formulated in Washington--whether vis-a-vis Saudi Arabia or Iraq and, of course, vis-a-vis Egypt.

To say that the invitation to Sharon on Tuesday and Haig's message to Begin the following day constitute a restoration of the full understanding with Israel--to say this would be a great exaggeration.

Begin expressed the hope that "we shall overcome," and the prospects for that are definitely good, but that is not to say that Israel has already overcome. Still, there is much significance to the fact that it has obliged the United States to take it into consideration.

The test, or rather the first but not the only test, will come with the content of a memorandum of understanding that the United States would be ready to endorse. If, for instance, in the context of strategic cooperation the United States will be ready to store "bandages" (the contemptuous description for the notion of storing emergency medicaments in Israel for use by the U.S. Army operating in the region), that would be neither serious nor interesting, as the defense minister will tell you. If, on the other hand, the United States is ready, as part of the strategic cooperation, to maintain real weapon arsenals here, and to hold substantive talks (not spin yarns of their knowing nothing about U.S. arms going to Iraq...) and to engage in joint planning, joint exercises and the like, then that will be more to the point. That will have genuine political significance, over and above the military-security aspects.

This we will be able to know even before the defense minister goes to Washington to conclude the memorandum of understanding, when joint working groups meet for talks.

At present, all-dominant is the U.S. desire to calm Israel, so that it will not take action against the Syrians even if the missiles are not promptly withdrawn from Lebanon--notwithstanding President Reagan's pledge--and the desire to ensure the final evacuation of Sinai without a hitch in April 1982.

Haig's message to the prime minister this week says what the prime minister wanted to hear, namely, that "Camp David alone" is the basis for a peace settlement. But that is not all he wrote. The message also speaks of letting bygones be bygones



and of facing the future for the sake of mutual interests, and this in itself is "highly estimable," as the prime minister observed. But it is difficult to shake off the impression that even this message, which is wholly designed to calm Israel and restore the trust that was shaken by Washington's recent conduct, smacks of insincerity. For example, Haig calls on Israel not to attack the United States over the Saudi plan, for in so doing it will only embarrass the United States and drag it into discussing details which it is not necessary to discuss, because this (the Saudi plan) is not a genuine issue. Instead, Haig advocates a joint effort to speed up the autonomy issue, which will ipso facto stifle the voices raised in favor of the Saudi plan.

These words are truly encouraging. But what is behind the contention that Israel "embarrasses the United States and drags it" into discussing details of a plan as irrelevant as the Saudi plan? Have not the President, the secretary of defense and also the secretary of state discovered, and proclaimed from the rooftops, positive details in this plan? And what did Weinberger say to King Husayn on this issue? As for the secretary of defense, he has accepted virtually all of Prince Fahd's eight points...

Thus far there is no evidence that Reagan's Washington has indeed changed its stand. At most they erred in the timing of their praise for the Saudis and their beating the drum for the Saudi plan as being "only" complementary to the Camp David accords--doing this before Israel has evacuated the whole of Sinai and while the Lebanese issue remains unresolved. Given the vigor of Israel's reaction, the United States felt obliged to shower messages of conciliation (it is an almost foregone conclusion that in the wake of Haig, Reagan too will be sending Begin a message), but the "evil weed" has not been uprooted.

However, the reality that emerged this week need not leave Israel discouraged. On the contrary, it has been plainly demonstrated that Israel is a small country but one without which things cannot get done in this part of the world. During the crystallization of the moves made this week by the prime minister and by the foreign and defense ministers, Sharon put it this way: "We are capable of withstanding pressure, even if it is very great pressure."

CSO: 4423/42

## 'HA'ARETZ' ON U.S.-ISRAELI STRATEGIC COOPERATION

TA041413 Tel Aviv HA'ARETZ in Hebrew 4 Nov 81 p 7

[Yo'el Marcus commentary: "Why be Killed for Them?"]

[Text] Defense Minister Ari'el Sharon's decision to freeze the talks planned for him and delegation in Washington on the issue of strategic cooperation is, of course, an act of protest. However, if I know Mr Begin, this "demonstration" will not last long. Both the prime minister and his minister of defense will obviously make a conciliation after a friendly letter from President Reagan arrives. If this prediction really comes true, as may be imagined, it will be a great pity, because I would advise the government to take advantage of this move in order to make a timely break from actually realizing (for the moment) the abstract idea of strategic cooperation between the two countries. The government's main goal is to look after the country's security and guarantee its existence. It does not -- as Israeli prime ministers have said over and over again -- want U.S. soldiers to be killed for Israel. But, to the same extent, neither is it worth our volunteering or, to put it more precisely, being pushed into being killed for the United States.

Israel has on more than one occasion shown a rare skill in entering into commitments likely to trouble generations without thinking in advance about the risks and development. The entire adventure, for example, of granting autonomy to the Palestinians, and recognizing their legitimate rights (rights to what?), which in fact lays the ground for the foundation of a Palestinian state, was embarked upon by Begin without an in-depth debate, almost as a distraction. Over the last few months Israel -- again without any in-depth debate over the implications of the move with regard to its future and freedom of action -- has been making attempts to get involved in a partnership that would not only set it in the path of the Soviet "steamroller" but could, one of these days in the not-too-distant future, even require it to make sacrifices -- dear ones. If we were faced with a situation in which it was the United State that was requesting and pushing for partnership, it would be difficult to refuse the friend that has been guaranteeing our security for many years now. But for us to insist on donating blood, sweat and tears while they appear to be doing Israel a "favor" is not only not in our national interest, but borders on first-degree blindness. After all, as IDF slang puts it: We have troubles of our own.

Israel must think again about the issue of strategic cooperation -- in-depth and not as a "punishment" for the U.S. Administration for the sympathy it is providing Saudi Arabia and its plan. The plan is not much of a plan and, in any event, is

not viable. It is worth remembering that it originated in an interview Prince Fahd granted to Ms (Katherine Graham) (the publisher of the Washington POST) at the end of last summer. At that time Fahd went even further and even hinted at the possibility of diplomatic ties with Israel. The interview was the spearhead of a Saudi Arabian offensive to prove its moderation and positive influence in the area with the goal of winning over U.S. public opinion and, through this, gaining approval for its shopping lists. A short time after the Washington POST interview, the beautiful feathers molted from Fahd's words took the form of an eight-point plan and the U.S. Administration used it as a alibi to persuade Congress that Saudi Arabia was really peace-loving and the most moderate country.

It was not difficult for the U.S. Administration to point to the fact that Saudi Arabia's willingness to agree that Israel should remain in tact -- although under draconian conditions -- was very positive, especially when taking into account the fact that for 30 years it had been in favor of a "jihad," a holy war to push Israel out by force. The sad thing that happened was that, in the process of the great persuasion campaign in the Congress, the administration itself fell in love with its tactical alibi and began to regard it as a possible political option to fill in the large empty space becoming marked in the wake of Camp David. This empty place was created both because the Palestinian section in the Camp David agreement remained unsolved and because the Reagan administration was unable to formulate an operation view for a continuation of the peace process.

Although this trend is not pleasant, it is doubtful if it would be worth exaggerating the dangers of the Saudi Arabian plan. In another few weeks Saudi Arabia, at the expected Area summit in Fes, will be forced to shed from its proposal the last decorative feathers left to it; and if it is not viable in its current form, it will certainly be less so in another month. And when a plan is unacceptable to one of the negotiating parties -- and even a section of those in favor of it has reservations about some of its clauses -- it is sentenced, sooner or later, to be dropped. In addition to this, we must believe President Reagan's latest declarations that he wants to guarantee Israel's security and that he does not intend to impose any solution on it. The fact that the AWACS deal only scraped through also taught the Reagan administration that "selling Israel out," that is, endangering its security, is not something that will be easily accepted by U.S. public opinion.

From this it follows that -- without any connection to Fahd's plan -- we are taking advantage of this opportunity to play at "being angry." In any case it is worth thinking more seriously about the issue of strategic cooperation. What would it give us? Would we get any benefit out of this partnership? Some people say that the Americans are not serious anyway. If this is so, we have no need to place ourselves on the map of targets for Soviet missiles and take serious restrictions upon ourselves (for example, we would not be able to down the Saudi Arabian AWACS planes if a security need for this were to arise). If this is serious -- informed Americans swear that this is so -- it would certainly be desirable to weigh whether the U.S. strategic concept is correct and suitable for us. So far it is difficult, at least, to see that the United States has ended its military helplessness when replying to local Soviet challenges. What is being said in Washington is indeed aggressive. However in the field of operational ability what is apparent is a mixture of amateurishness, incompetence and lack of direction. "There is nothing to depend on," "this is not serious," U.S. columnists say. And if the role of central pillar in the

containment of the Soviets is really intended for Saudi Arabia in the concept being formulated, it is clear that there is a basic fault in the U.S. view and it is difficult to see much logic in our incorporation in it.

It is the right of the United States to see to its security as it sees fit, just as it is our right to build our security establishment in accordance with what appears reasonable to us. From this it follows that it is worth continuing along the line of building up our strength by means of U.S. weapons; a strong Israel in any case represents a firm foundation, although a modest one, in the defense system of the west, even if the (?Bechtel) company does not think so. Does the United States want to base its security on Saudi Arabia? Let it enjoy doing so. If it has made another mistake, as it did in Iran, we will be in the area, always prepared to lend a friendly, loyal hand -- without the unpleasantnesses of imposed memorandums of understanding or formal commitments.

CSO: 4423/42

ISRAELI POLL SHOWS PUBLIC FAVORING RABIN OVER PERES

TA101119 Tel Aviv HA'ARETZ in Hebrew 10 Nov 81 p 4

[Pori Poll]

[Text] Yitzhaq Rabin is by far the preferred people's choice as leader of the Labor Party than Shim'on Peres. He leads both in the public at large and in those who voted Labor. This emerged from a nationwide Pori Poll commissioned by HA'ARETZ.

To the question "Who, in your opinion, should lead the Labor Party?" 34.6 percent opted for Rabin compared with 14.3 percent who voted for Peres. Among the Labor Party voters Rabin got 34.9 percent, and Peres 28.3.

Some 10.9 percent (compared with 14.2 percent among the Labor Party voters' public) would like President Yitzhaq Navah to lead the Labor Party.

Mordekhai Gur reached fourth place as the Preferred Party leader, receiving 3.2 percent of the vote (and 2.4 percent from among Labor Party voters).

Yosi Sarid, Abba Eban, Hayim Bar-lev, Eliyahu Speiser, Hayim Herzog, Hayim Tzadok, Me'ir Amit, Ya'akov Levinson and Aryeh Eli'av each got less than 1 percent.

It should be noted that Hayim Bar-lev got 0.5 percent (versus 0.6 among the party supporters), whereas Eliyahu Speiser received 0.2 percent of all the votes and not even one single vote from among the Labor Party voters.

Some 33.7 percent (18.4 percent among the Labor Party supporters) do not envision any personality they think is worthy of leading the party at this moment.

The poll is a representative cross-section comprising 1,200 males and females from age 18 and above.

CSO: 4423/42



POLL SHOWS ISRAELIS FEEL BETTER OFF ECONOMICALLY

TA120859 Tel Aviv HA'ARETZ in Hebrew 12 Nov 81 p 3

[Text] Despite the wave of strikes now afflicting the public service, the public feels that its personal economic situation has in fact improved. Only one-third of the public now complains that they feel the economic pinch and that the money they earn is not enough to "get them through the month." This is the lowest rate of complaint recorded by the Pori Poll since 1978. These findings were made in a countrywide poll commissioned by HA'ARETZ.

Question: "Do you feel that the money you earn now suffices you more, less or to the same degree to get through the month as it did 6 months ago?" To this question, 37.1 percent replied less, as against 45.7 percent who said "to the same degree" and 10.7 percent who said even more.

The conductor of the poll, Pori director Refa'el Gil, notes that this is the first time since 1978 that the percentage of persons complaining that their money is insufficient is lower than the percentage saying that they have enough money to get through the month.

Among those with above-average incomes, 14.5 percent said that their earnings now provide them more than in the past, while the percentage of those saying that their earnings provide them "to the same degree" is twice that of those complaining that their earnings are insufficient: 54.3 percent to 26.4 percent.

The poll covered a representative sample of 1,200 men and women, aged 18 and above, who were interviewed personally in their homes throughout the country, in complete confidentiality.

CSO: 4423/42

## TREASURY REQUESTING SUPPLEMENTARY BUDGET

TA241003 Jersualem JERUSALEM POST in English 24 Nov 81 p 1, 10

[Text] The treasury yesterday put a supplementary budget of 4.12 billion Israeli shekels before the Knesset finance committee, circumventing a plenary debate by resorting to article 3 of the budget law which says that revenue additional to that foreseen in the original budget may be used for extra expenditure, with the committee's approval.

The treasury spokesman last night estimated revenues to be 6 billion shekels bigger than forecast in the budget.

The additional appropriation is requested to cover expenditure on subsidies, for which hardly any money remains in the general budget reserve. The treasury spokesman said that the additional budget will be enough to cover subsidy costs until the end of the fiscal year.

Of the total sum requested, 743 million shekels is for local authorities, 2.15 billion shekels for fuel subsidies, 210 million shekels for water, 107 million shekels for subsidies to frozen chicken, 60 million shekels for milk, and 330 million shekels for subsidies to other goods and services. A total of 250 million shekels is requested for subsidizing exports to Europe, and another 150 million shekels to cover the deficit in the exchange rate insurance system for these exports. One hundred and twenty million shekels is earmarked for research and development, with another 300 million shekels requested for the same purpose in the form of an authority to undertake commitments.

Expenditure on subsidies this year has so far totalled 11 billion shekels--some 5.5 percent of the budget--and the subsidy to fuel alone has cost 5 billion.

A second supplementary budget will be needed to cover additional defence expenditures and certain technical changes in the original estimates caused by fluctuations in the exchange rates of foreign currencies.

Budget Director Ya'acov Gadish explained that the extra revenue was obtained "as a result of the subsidy policy," which increased real incomes and hence the revenue from direct taxes. The gross national product is now expected to be 5 percent higher than in the preceding fiscal year, instead of 3 percent as originally forecast.

CSO: 4400/72

## HEBRON'S DUDIN DISCUSSES ATTITUDE TOWARD PLO

TA270750 Jerusalem JERUSALEM POST in English 27 Nov 81 pp 2, 9

[Report by David Richardson]

[Text] Mustafa Dudin, chairman of the Hebron area village league, does not recognize the Palestine Liberation Organization as "the sole representative of the Palestinian people," as the PLO claims to be. The leader of the first and largest of the recently formed rural associations in the West Bank stresses that his prime concern is with the social and economic welfare of the villagers he represents.

"We are concerned with the interests of our people in this area because we are the owners of the land here. And we (the Dudin tribe which numbers almost 4,000) are the biggest in the area and have been living here for more than 1,000 years. For this reason we believe that we are not in need of instruction or advice from anyone about the national line," the 66-year-old former Jordanian minister and adviser to the Egyptian Government said in an interview yesterday in his heavily guarded offices here.

Dudin was at pains to stress during carefully considered remarks at the beginning of the interview that the vilification he has been subjected to by radically nationalist circles in the West Bank and abroad were the result of "confusion" based on reports sent to the PLO in Beirut "by four local mayors" (whom he refused to name) and the East Jerusalem daily AL-FAJR, "which claims to speak for the PLO here," he said.

He said that none of the leaders of the three village leagues "thought he was going to replace anybody, and we never thought that nor in the long run we would claim to represent anyone on political issues." There was no intention to replace or pull the carpet from under the PLO, he insisted.

But Dudin made it clear that he and his supporters feel that Palestinians in the West Bank have a right to speak out and a role to play in solving their own problems.

The confusion that characterized Arab and Palestinian reaction to the eight-point Saudi plan during the week's Arab summit in Fes was such that "it is not clear who represents whom. 'Arafat and the Fatah appeared in favor while Habash and the others said no; some local mayors came out in favour and others refused," he observed.

"Every Arab state claims the right to an opinion on the Palestinian question. Why should it be that only those Arabs who live in the area and live the problems of occupation day by day are denied an opinion and are called traitors when they speak out independently?"

"Perhaps we have a different view but this is our right," he said, making a plea for co-existence between Arabs and Jews--"the two nations that live between the river and the sea."

"This has led us to the conclusion that we should seek peace through negotiations--we have tried four wars and achieved nothing," he said, re-endorsing President Anwar al-Sadat's approach as "a correct step towards peace."

But on the broad lines of a final settlement, Dudin stressed that his demands were not different from those of other Palestinians. "Israeli troops should be withdrawn from the occupied territories till the 1967 boundaries. But our conception is that this should happen through a peace process--we condemn terrorism whether from Arabs or Jews."

Dudin's area of jurisdiction has become the focus of the latest settlement drive under Defense Minister Ari'el Sharon, who is using army Nahal units to establish outposts on generally barren hills in the area south of Hebron. Dudin absolutely rejected Israeli settlements and said they were counter to the peace process he supported.

He went on to say that by virtue of the Arab world's acceptance of UN Resolution 242 which implicitly recognizes Israel they had accepted that the problem of the Palestinian refugees was separate from that of the territories. "Their problem is one of return or compensation--ours is one of occupation. There is no reason to link the two," he said touching the heart of the political dilemma of local Palestinians.

The assassination last week of his colleague from Ramallah Yusuf al-Khatib, was an act of terrorism, he urged, and counterproductive. "This will give us a bad reputation abroad as people will become convinced that the Arabs will kill anybody who calls for peace," he said.

He repeated his call for an armed villagers' militia under the control of the leagues, although the military government has already turned down a similar request he made at al-Khatib's funeral on Monday.

Dudin, chairman of the most powerful village league in the West Bank, played down his alleged close cooperation with the military government, although he acknowledged that 50 percent of the more than 80 million shekels invested in the development projects in his villages were an outright grant from the authorities.

"Under international law the military government is responsible for the area. We are forced to contact them for permission to build even one room or open a road," he said.

Dudin said that since his league's formation in July 1978 it has paved 65 kilometres of road, built 24 schools and four clinics, and provided 16 villages with their own electrical generators. "Fifteen villages west of Dura are to have running water for the first time in their history," he said.

Before the leagues were formed, he said, the villages were totally overlooked. All the funds and development activity went to the towns, he claimed.

Returning to the PLO, Dudin said that he was unafraid and quite prepared to meet Yasir 'Arafat even in Beirut, "if it served the peace process."

"We cannot deny the PLO a role, but personally I would like to see King Husayn play a fundamental role in finding a solution--since he is best qualified," he said.

CSO: 4400/72



COST OF NEGEV AIRFIELDS FAR ABOVE ESTIMATES

TA120820 Tel Aviv HA'ARETZ in Hebrew 12 Nov 81 p 1

[Report by Economic Affairs Correspondent El'azar Levin]

[Text] The investment in the construction of the Negev airfields will total \$1.07 billion, or \$30 million more than the original U.S. estimate and \$100 million above the Israeli defense ministry estimate. The final calculations have just been completed.

When the project got underway, the U.S. Corps of Engineers and the construction firms involved thought that the cost of the two airfields would be \$1.05 billion, of which \$800 million would be covered by a special U.S. grant and the rest by funds from the regular U.S. military aid to Israel. The defense ministry's calculations showed that efficient management could get the job done for \$970 million, thus enabling a major saving to be made in the defense budget. It now turns out that the cost will exceed even the U.S. estimate.

It is reported that the U.S. contractors have prepared stacks of documents containing many explanations for the budget deviation. Among these explanations: Complaints about the quality of the work of the Israeli contractors, difficulties in the supply of raw materials, climatic difficulties and others.

Already a few months ago defense ministry experts said that the outlay would exceed the estimate, but the American contractors refused to heed the figures. When they met with Defense Minister Sharon a month and a half ago, the Americans continued to insist that the estimate would not be exceeded. Only now have they admitted officially that the outlay will exceed the initial estimates by \$30 million to \$100 million.

So far, the U.S. firms have paid out about \$900 million to contractors and supplies involved in the construction of the fields. The remainder will be paid out in the coming months.

CSO: 4423/42

## EXPANDED USE OF AIRBASE APPROVED

TA270743 Jerusalem JERUSALEM POST in English 27 Nov 81 p 3

[Report by Joshua Brilliant]

[Text] Ben-Gurion Airport--The Israel Air Force has agreed that foreign civilian aircraft may land at its new airbase at 'Uvda, the airport's authority Director-General Ramon Harel said in an interview yesterday.

At present, 'Uvda may be used in emergencies only--if planes cannot land at 'Ezyon or Elat. But after April 1982, when Israel is scheduled to withdraw from the Sinai base, foreign aircraft may regularly bring tourists to 'Uvda, he added.

This concession by the air force is designed to help boost tourism to Elat.

The Elat airport can accommodate only small passenger planes, such as the Boeing 737, and if Egypt denies use of 'Ezyon it would be difficult to promote the resort town. As a result, security authorities drew up a number of restrictions, such as limited approach lanes to 'Uvda and prohibiting photography.

Harel said the final decision whether to use 'Uvda or 'Ezyon during the next two years will be taken at a later date. It will depend on Egypt's consent to the use of 'Ezyon and the charges for services and the availability of necessary equipment. He said he preferred 'Ezyon because it is closer to Elat.

The airports authority official added that no investments will be made at 'Uvda. There will be only "bare essentials" and passengers will be taken from the airport in airconditioned buses to a terminal at Elat for passport and customs checks.

Arrangements will be similar to those currently existing at 'Ezyon, Harel said. He said the authority will improve services in Elat by enlarging the arrival hall so that passengers will not spend more than 30 minutes there.

These arrangements will be in effect until a new airport is built north of Elat, but the government has still to decide whether to build it 4.5 or 11 kilometres north of the town.

CSO: 4400/72

## ISRAEL

### BRIEFS

TRANS-SAMARIA ROAD DEDICATED--The ceremony of digging [as heard] the road across Samaria was held near the settlement of Elqana in the afternoon. The road will be named after former minister of transport, the late Hayim Landau. The Haim Road as it is called now was inaugurated by Prime Minister Menahem Begin today. [Excerpt] [TA121658 Tel Aviv IDF Radio in Hebrew 1510 GMT 12 Nov 81]

JORDANIAN MOSQUE FUNDS--The Prime Minister's adviser for Arab affairs, Binyamin Gur-arye, says Israel will not allow the acceptance within its boundaries of contributions from enemy countries. Gur-arye said this today to our correspondent, Arye Gus, in reaction to yesterday's announcement by the Jordanian Awqaf, Islamic affairs and holy places minister that he had donated 20,000 dinars for the restoration of the Hasan Bakk Mosque in Yafo. The Jordanian minister said this would be the first such donation to the occupied land. [Text] [TA091207 Jerusalem Domestic Service in Hebrew 1000 GMT 9 Nov 81]

JEWISH GOLAN POPULATION INCREASED--The Jewish agency's land settlement department will speed up the plan to settle 10,000 Jews on the Golan Heights in years. At present, there are only a little more than 6,000 Jews on the Golan Heights. [Text] [TA052115 Jerusalem Domestic Service in Hebrew 2100 GMT 5 Nov 81]

IMMIGRATION FROM USSR--In October only 368 Soviet Jews arrived in Vienna, the lowest monthly figure to date. This was reported today by Ms (Jacobson) from the National Committee for Soviet Jews. She said the continued drop in the number of emigrants proves that the "gates of Jewish emigration have in fact been closed." In September, 405 Jews emigrated from the Soviet Union. Of the 368 who arrived in Vienna in October, 89 came to Israel and 279 opted to emigrate to Western countries. [Text] [Tel Aviv ITIM in Hebrew 2030 GMT 2 Nov 81 TA]

CSO: 4423/42

## TREATMENT OF PALESTINIANS DESCRIBED

Jerusalem AL-FAJR in English 23-29 Oct 81 p 10

[Text]

Israeli officials, rationalising their occupation of the West Bank and Gaza, and looking for a way to keep the Palestinian refugees out, have often referred to Jordan as "the Palestinian State." They point to the fact that Palestinians make up over 60 percent of Jordan's 2.2 million population in the East Bank and that all Palestinian residents of Jordan and Jordan-controlled West Bank in 1950 were granted citizenship.

The Jordanian regime begins its argument from the opposite vantage point: looking towards Palestine they refer to the West Bank as "occupied Arab land" that should return to Arab control. They look forward to regaining this rich agricultural area — if only in a Palestinian-Jordanian federation — in which they, by superior political and economic might, will have control.

Palestinians in Jordan, as elsewhere, (aside from those in the service of the Hashemite regime) categorically reject both Israeli and Jordanian claims. They demand "an independent Palestinian state in the West Bank and Gaza under the leadership of the PLO." Bitter is their memory of three wars in which the Zionists pushed them as refugees over the

borders into neighbouring Arab countries. Equally bitter is their memory of Arab armies who failed to defend them and have since acted to crush their own movement for national liberation.

## Jordan and the PLO

Though Jordan is described in the Western press as a "confrontation state" (with Israel), it has repressed the Palestinian, national movement within Jordan aimed at return to and liberation of Palestine seeing it as a threat to the 'stability' of the monarchy. Since Black September 1970, when the resistance lost heavily to the King's army — the guerilla movement has been illegal in Jordan.

It has since been illegal for ordinary citizens "to carry arms . . . It is also prohibited to buy weapons and keep them in houses . . . except with a license. Whoever disobeys shall be considered an outlaw or an enemy agent and the most severe punishment will be taken against him." (by order of Military Governor General Wasfi al-Tal; December 15, 1970)

At 1974's Rabat summit conference, King Hussein was forced to officially recognise the PLO as the sole, legitimate

representative of the Palestinian people. This diplomatic recognition was necessary for his own backing by the oil-rich Arab states. The superficiality of this recognition is apparent from the ban on political expression and military activity in Jordan which mocks PLO representation.

"The only place for the Palestinian flag is at the PLO office," remarks one Palestinian woman educator, "so in fact the PLO is not recognised."

There is no law against raising the Palestinian flag as such, but it is understood that so doing could involve enforcement of one of the 1936 Mandate Emergency Defence Regulations (still in force) which makes "disruption of the public order and incitement" an offense.

Likewise there are no specific laws against relations with or membership in the PLO, but a 1955 law prohibits parties which have not obtained government registration. To be registered, their "purposes (must be) legal and the means peaceful." In practice this definition has excluded the Communist Party and member parties of the PLO.

The regime is selective in

its prosecution of members of "illegal organisations." The members of the Palestine National Council and employees of the Amman PLO office, for example, are officially known.

There are currently an estimated 70 political prisoners (all men) in Jordanian jails. The majority are Palestinian and were accused of membership in "illegal organisations"; some were accused of military activities. Several Palestinians in Jordan concurred: "Now is not the time to imprison activists in the national movement — though they are known and their names recorded in the intelligence files — those arrested as used as warnings to the others."

Political repression is also found in a more general sense-control over school curriculum and hiring of staff, censorship of the news media, and cultural expressions — TV productions, theatre, and book publication.

### School Curriculum

The "Palestinian cause" is taught in a general way as part of the Jordanian curriculum, whether in government, private or UNRWA schools, but there is no mention of the Palestinian national movement, *fedayin* or the PLO. One Palestinian educator sums it up, "Palestine is the Holyland occupied by Israel, a paradise lost that must be liberated and returned to the Arabs."

"History texts treat the West Bank as part of Jordan and Gaza — a Palestinian town under Egyptian rule — and Haifa and Jaffa as lost cities. They pay little attention to the '67 war and since."

School libraries are stocked with books on traditional

themes with more emphasis on ancient culture than on the present. There are no books from a 'left' perspective and most contemporary Palestinian writers are excluded from the shelves: only those who support the Arab regimes, like Najuib Mahfouz and Tawfiq al-Hakim (Egypt), are found. Books published by Palestinian publishing houses in Beirut are not allowed.

Principals and teachers responsible for ordering books must obtain permission from the ministry of culture and education before any purchase is made.

### Media Censorship

Newspapers are internally controlled so there is no need for external censorship. (There was a government censor until about 10 years ago). Once or twice a year, a newspaper has "slipped" and printed something considered unfavourable by the regime, and has been temporarily closed down.

Policy-making rests with the editors but all journalists quickly understand what material will be acceptable for print. Occasionally, the ministry of information directly supplies material for the main editorial columns.

Palestinian nationalists who work at the daily papers just "do their job" repeating the government line. Some are fortunate to secure jobs in the cultural, literary or 'occupied land' sections — where they have a bit more freedom to express their political views.

An example of political censorship that runs counter to most Palestinians' feelings has

been coverage of the Iraq-Iran war. Jordanian papers echo the regime's pro-Iraq policy. A Palestinian working in one of the daily papers privately echoed the sentiments of most Palestinians when he said: "Why are these states wasting human and economic resources fighting each other when our main enemy is Israel? The Iraqis say they are fighting 'to regain occupied Arab territory' — what about Jerusalem?"

### Cultural Censorship

Books must pass through the "circle of printing and publishing" before they can be printed. One Palestinian writer gave his comment on censorship: "we can write on anything — except for politics, religion, or sex." Collections of poetry and short stories expressly dealing with the occupation of Palestine from a national, progressive perspective are usually censored.

Television serials, one of the most popular forms of entertainment, are also reviewed for political content. Recently, a Palestinian-Syrian production of a 15-part dramatised version of Felicia Langer's "With My Own Eyes" (in which she details Israeli torture of Palestinian prisoners) was censored.

Theatre performances, though less popular, are also scrutinized on opening night by those seated in the "reserved section." Earlier this year, "The Shoes of Mr. Tafish," a local adaptation of a piece by Gogol — with a theme of class struggle — was cancelled by the ministry of culture after one performance.

### Contacts With the Outside World

The government controls travel of its citizens in and out of the country. Students studying in the socialist countries have



come under particular scrutiny in recent years. One medical student, a Palestinian from the West Bank who had been denied exit via Lydda airport, met the same fate in Amman. "Just as I was boarding the plane," she said, "the *mukhabaraat* (secret service) took my passport and I missed the flight." Others were less lucky — their passports have been held for up to a year with no charge presented against them.

Graduates of universities in socialist countries and those reported by intelligence agents to have been involved in "politics" outside often find it difficult to gain employment upon return to Jordan.

Thousands of people on the intelligence lists have been called for investigation at the police-military-intelligence complex over the last 10 years. Others have not been able to renew their passports outside Jordan. They are, in effect, being asked to return to report to the intelligence service.

While these harassments are not specifically directed against Palestinian residents of Jordan, they are in fact most

affected by them. Palestinians are involved in supporting their cause in universities internationally — few Jordanians are. Palestinians, answering the PLO call, have gone to fight in Lebanon. Palestinians are the majority of those who go to attend meetings such as April's PNC meeting in Damascus where non-PNC members were prevented from leaving the country.

### Stability?

Jordan's plucky King has engineered a facade of 'stability' for the outside world. The *Middle East Economic Digest* report on Jordan, published in July 1980, summed up the country over which his regime governs as, "a conservative, yet rapidly changing, society seemingly unaffected by the revolutionary turmoil, real or potential, which surrounds it." The MEED report, which was full of uncritical 'puffs' for various functionaries and agencies of the Jordanian state, sums up the image Hussein wishes to promote. For many of his subjects, however, fear and imposed silence dominate their lives. Jordan is far from the tranquil oasis its apologists present.

## IMPROVED MEDICAL CARE SOUGHT

London 8 DAYS in English No 44, 7 Nov 81 p 43

**[Text]** JORDAN'S plan to build its second-largest medical complex, northeast of Amman, is still in its infant stages but, under an agreement just signed between the ministry of health, which is the official body responsible, and the American Herman Smith Company, the project's consultants, the basic design is now well under way. According to the \$1.25m agreement, the foreign company will provide the groundwork for the establishment of the complex over the next six months.

Bidding for the project has not started yet, since tenders will not be floated until May 1982. According to health ministry officials in Jordan, Herman Smith is not permitted to have affiliations with any contractors, as the ministry of health will be selecting them acting on the advice of the consultants.

In the meantime, Herman Smith will be preparing the basic design, which will materialise on a 170,000 sq m area already expropriated by the ministry of health. The complex will cost an estimated \$90m though officials predict that expenses may go up by \$10m due to price rises.

Project Director Dr Musrafa Barmawi told *8 Days* that the complex would be unique in the Middle East because of the number of its departments. These will include: general surgery, general medicine, pediatrics, a burn unit, an emergency section, a rehabilitation and physiotherapy centre, a central blood bank including a frozen blood bank unit, a psychiatric unit for acute cases and a department for the treatment of drug addiction. The complex will also have a separate medico-legal department, a nursing unit and nursing quarters, and a 550-bed hospital. In the long run, the ministry of health plans to use the hospital

as a training school for nurses, doctors and other medical specialists.

Herman Smith is now preparing a master plan for both the nursing unit and the overall complex, and is also in charge of establishing an operative system to run the hospital. For the time being, it is administering the various parts of the project as well as monitoring its budget.

The consultancy work is to be carried out according to a specific schedule, covering the next 22 months. The ministry of health is recruiting efficient and well-trained personnel to man the hospital. In a bid to attract specialised staff, the ministry has sent some doctors to the US and UK to train in the different fields needed at the hospital.

The ministry is also trying to boost its nursing corps by mounting campaigns to persuade more women to take up the profession. During the next five years, the ministry plans to expand the capacity of its nursing schools to meet the needs of the hospital, to be called the Prince Hamzeh Hospital. When completed, it will overcome some of the medical and health problems Jordan is currently facing.

There are only 14 government-run hospitals throughout the country, with a total of 1,450 beds. This works out at 17.1 hospital beds for every 10,000 people, a ratio well below universally accepted standards. The ministry foresees a narrowing of this ratio in the near future, making it 30 beds for every 10,000 people, as under its Five Year Development Plan it intends to add about 1,500 beds in various hospitals to be built around the country. Within the next two months, work will have started on a 300-bed hospital in Irbid at a cost of \$45m. Another \$30m is to be allocated for two hospitals projected for Karak and Rafieh in

the south.

No plans have been finalised for the latter two hospitals, but the ministry of health is keen on starting them, since Jordan lacks good medical services. Dr Barmawi pointed out that the annual rise in Jordan's population — 3.4 per cent — is far greater than the expansion in medical services.

CSO: 4400/73

## SOLAR-POWERED DESALINATION PROJECT DISCUSSED

Dubai KHALEEJ TIMES SUPPLEMENT in English 27 Oct 81 p 6

[Text] JORDANIAN engineers are investigating the potential use of solar energy as a power source in a programme which began about five years ago.

The programme has been concentrating on desalination of sea water, hothouse farming, roadside and rural telephone communications, production of potash and home water heating and cooling systems. On the horizon are other potential projects that include the use of solar power to pump water and generate electricity.

The focal point of solar energy research today is the Mechanical Engineering Department of the Royal Scientific Society, Jordan's ten-year-old institute of research and technology. There, efforts are well into carrying out three main programmes to harness sun power for desalination, home water heating and the heating and cooling of houses.

Most dramatic is the work going on in the southern port city of Aqaba where the RSS and the West German company Dornier System are testing a new method of turning sea water into fresh water. Dornier designed the system and the RSS has been running it under a two-year programme that has achieved a current production of six litres of fresh water per day per square

metre of solar-collecting surface.

The Aqaba station is, in fact, the first in the world to apply the 'heat-pipe' principle to desalination of water through solar energy. Simply described, the process is one by which flat solar-collecting surfaces are heated by the sun's rays to temperatures of over 100°C. Embedded in the hot surfaces are pipes made of aluminium or other metals through which the sea water slowly passes, is heated and becomes vapour. The vapour then strikes a cooler surface and condenses into fresh drinkable water.

The RSS engineers are constantly monitoring performance at the Aqaba plant to further improve operating methods and are experimenting with different materials in various parts of the system. The solar collectors, heat pipes and condenser pipes are all being tested in different metals, such as aluminium, steel or alloys of copper, nickel and chrome, to see which will give the best results.

"We want to find the material that will give us the maximum output of fresh water," says Mohammad Qashou, head of the RSS Solar Energy Unit. "We're not interested in pure research for its own sake. Rather, like everything else we do at RSS, we're after the end product and its use by the consumer."

When perfected, the desalination system will become available for

commercial production. Although Dornier System retains international manufacturing rights, the RSS has been given exclusive rights of manufacture and sale in the Middle East.

Home water heaters, another RSS solar energy venture, have been commercially produced by private Jordanian companies for the past several years. The heaters work on the same simple principle: water passes through metal pipes that have been heated to a very high temperature (75°-80°C average) by the sun's rays and is stored in insulated rooftop tanks.

The RSS has now perfected a system that can be produced in Jordan with locally available materials at a cost price of about \$300. Such a typical home unit would include three square meters of solar-collecting surface and produce 150 litres of hot water daily.

"Solar water heaters should be used in every house in Jordan," Mr Qashou insists. In a first production effort, the RSS recently reached agreement to provide 30 water heaters for use in the faculty housing project of Yarmouk University in north Jordan.

KUWAITI PAPER ON U.S. POLICY, FAHD PLAN

LD211238 Kuwait KUNA in English 1119 GMT 21 Nov 81

[Press Review]

[Text] Kuwait, 21 Nov (KUNCA)--AL-RA'Y AL-AMM on the Saudi peace proposals, the Fes summit and the American policy:

"Essentially, the problem does not lie with us. It is with our enemies in Washington and Tel Aviv. That is why we (Arabs) should not differ and meet on illusions.

"Israel and America do not at all want the establishment of real peace in the region. The initial objection to the Fahd peace proposals came from the U.S. and Israel. The former does not hide its plans to disintegrate the Arab potence, since disintegration is the ideal state that allows the U.S. to realize its aims and to strengthen the Israeli presence as free and preponderant and as an executioner of the Arab.

"If we offer her our split in the Fes summit, the U.S. will arrive at a new situation that suits those plans. The split among the Arabs provides this country with an excellent atmosphere whereby it could exert efforts and succeed in achieving more disintegration (among us). For this purpose, the U.S. wishes to 'neutralize' the Arab oil power in Saudi Arabia and the Gulf after it neutralized the Arab military power in Egypt. It is then incumbent upon us to bloc this road on her especially since all the Arab states, including the Palestine Liberation Organization, recognize the UN resolutions which form the bases of Crown Prince Fahd proposal.

"The Saudi crown prince did not propose his initiative out of nowhere. As such, it is ample to throw the Saudi ball in the American lap since this constitutes the decisive test of the American policies and outlooks in the Middle East.

"Israel as we know and as Saudi Arabia has announced has been occupying Saudi land (two islands in the Red Sea) since the June war of 1967. Israel did not give these lands back to Saudi Arabia, despite the distinctive relations linking Washington and Riyadh. Israel with the consent of Washington of course, does not answer the U.S. back with regard to matters relating to its expansionist 'accomplishments' made at the expense of Arabs, whether Saudis or others. The test will affirm an established fact, that the U.S. always waited for compromises on the part of the Arabs. She never tried for one day to restore to them their rights. In fact,



she was the one to usurp their rights with a Zionist arm. Hence the U.S. accepted the peaceful spirit of the Saudi proposal and its recognition of the 'right of all the countries of the region to live in peace, but the 'countries of the region' in Washington and Israel's point of view do not include the Palestinian state nor Arab Jerusalem.

"If Washington has other cards, let us see what the Saudi proposal can get out of them."

CSO: 4400/65

# INFORMATION MINISTRY WARNS 'AL-TALI'AH' FOR DAMAGING ARTICLES

## Text of Ministry Warning

Kuwait AL-TALI'AH in Arabic No 715, 28 Oct 81 p 9

[Text] The Ministry of Information has sent us this warning, which shows our violations of the Press Law. In it, it referred to the subject of the violation, which resulted in the besmirching of relations between Kuwait and the Kingdom of Saudi Arabia and the Sultanate of Oman.

We are publishing this warning without comment, leaving the judgment on this warning to the reader, who in turn, through his perusal of the subjects that were published, will be able to appreciate the vexations and difficulties the press suffers in interpreting the Press Law, especially concerning matters of destiny. Perhaps our consolation in this warning is the fact that the Ministry of Information has taken a step forward from the past by adopting measures which have less harsh than previous ones in taking a decision on an administrative shutdown.

[Signed] The editor.

The honorable editor in chief of the magazine AL-TALI'AH:

On pages nine and 58 of issue 714 of the magazine AL-TALI'AH, issued on 21 October 1981, you published two articles, the first of which, published on page nine, in the section "On Local Politics," titled "The Assembly and Foreign Policy," had the effect of besmirching relations between Kuwait and the Kingdom of Saudi Arabia and the Sultanate of Oman, and the second, published on page 58, under the title "O Nation Laughed at -- the Beginnings of a First Glimmer," also had the effect of besmirching relations between Kuwait and the Kingdom of Saudi Arabia.

Since the material published is to be considered a violation of the prohibition stipulated in Paragraph Two of Article 24 of Law Three for 1961, issuing the Press and Publications Law, we warn you that what you have published is prohibited by law.

This warning is to be published in the first issue of the magazine following your receipt of it.

[Signed] Deputy assistant minister for technical affairs, Hamad Yusuf al-Rumi.

Copy/Office of his excellency the minister

Copy/Office of the deputy minister

Copy/Assistant deputy for technical affairs

Copy/The Technical Bureau

Copy/Legal Counsellor

Copy/The Press Censorship Department

#### Text of 'Assembly' Article

Kuwait AL-TALI'AH in Arabic No 714, 21 Oct 81 p 9

[Text] The National Assembly began its session following the summer vacation yesterday, Tuesday, and witnessed more than one event concerning the Gulf and Arab stage that had an effect on the local level, whether political or economic in nature. Although the first session in the life of the assembly was as short as it was, as many people have said, and there was no scope for evaluating, discussing or debating the government's practices in all their foreign and domestic aspects, there will be adequate time in its next session to discuss these matters.

What is to be observed these days, as the local daily papers are stating, is the start of parliamentary activity in accordance with the drafts of laws the deputies are offering for presentation in the session that began yesterday. The prominent feature of this coming activity, is the discussion of local issues in the context of the laws dealing with these matters, with respect to recommendations of amendments to the Civil Service Law which was approved in the last session and other laws.

Although we are wholly convinced of the importance of these laws and the need to amend them in a manner that is compatible with the principles and spirit of the Kuwaiti constitution, foreign issues are so important that they must be taken up without delay, neglect or disregard. They may even be more influential than domestic issues.

We all remember, while the assembly was discussing this in its last session and was approving the establishment of the Gulf Cooperation Council within the context of the participation by the people and the consecration of real democracy in the council countries, that we entered the council by way of the agreement of the people as represented by the National Assembly. What is clear through the course of events and through the parties to this council is that the Sultanate of Oman has a strategic alliance with the Egyptian regime of the eras of al-Sadat and Husni Mubarak, who wants to complete his predecessor's course, and this is not an ordinary rapprochement or a continuation of relations as some people imagine. This strategic alliance, under the leadership of the United States, whose secretary of state, Haig, has declared the intention to carry out joint Egyptian-American maneuvers with the Gulf countries, has the Sultanate of Oman as its goal; in our opinion, if one of the parties enters this American alliance, that will basically draw the region into subjection to this council's label and transform it into a tributary of this council.

The other matter is the United States' supplying American arms, including AWACS airplanes, entailing conditions for strengthening the American military presence in Saudi Arabia and causing it ultimately to dominate the course of affairs there, creating a kind of direct American hegemony through the gathering and the use of information by the United States, which will control affairs in accordance with data from this information. This is what is going on in the oil area, through the role the Saudi Kingdom is subsequently playing by virtue of the policy that the parties to the council are carrying out. As a result, that places this region, and places the resources of our Gulf peoples, in the basket of American interests, even though this basket includes the Israeli party. This will result in creating an international tension which is not in this region's interests, under various American pretexts which are aimed only at taking over the economic and military resources of the Gulf to the advantage of the United States.

All these matters contradict the general Kuwaiti approach of preserving a kind of independence in its dealings and of keeping the area separate from the dangers of conflict. It is our absolute belief that the assembly must discuss this important serious matter because ultimately it will affect even our daily lives, practices and living. Anyone who thinks that these are foreign matters which it would be best to avoid discussing and to avoid addressing, as if they do not affect our Kuwaiti arena, is wrong.

#### Text of Commentary

Kuwait AL-TALI'AH in Arabic No 714, 21 Oct 81 p 58

/Text/ The recitative on solidarity in Arab ranks has resumed, in preparation for the return of the former al-Sadat regime, now the Mubarak regime, to the Arab ranks with all the practices both have pursued, leading to the conclusion of treasonous agreements with the Zionist enemy, the consummation of normalization and the declaration by Mr Husni and by Abu Ghazalah that "Israel" is a friendly country.

Radio Riyadh started this process in its comment last Friday by calling for the restoration of solidarity in Arab ranks and mentioning that the absence of Arab coordination and the limited nature of positive contacts have encouraged hostile forces to monopolize power in some countries of the region and draw them far away from other elements and goals in the nation.

Here we all remember the literature of Arab ranks, solidarity, and other expressions from the period before al-Sadat made his initiative of visiting Jerusalem and starting on his treasonous course. In spite of his course, which stripped the gears of our domestic and national goals, it is now hoped that the Sadatist regime will be brought back to the Arab corral, with all the concomitant policies that are contrary to our goals, as if the process is not political in nature but a quarrel among persons who can quickly reserve their collective course of activities, once again to perform in the orchestra of Arab ranks, preparatory to a new initiative which will emerge in the crescendo of this orchestra.

11887  
CSO: 4404/96

KUWAIT

BRIEFS

PUBLICATION SUSPENDED FOR 30 DAYS--Kuwait, 16 Nov (QNA)--Shaykh Sabah al-Ahmad al-Jabir the Kuwaiti deputy prime minister, minister of foreign affairs and acting information minister, has issued a decree suspending the Kuwaiti weekly magazine AL-MUJTAMA' for 1 month effective today for violation of Kuwait's publication law. AL-MUJTAMA' is published by the Social Reformation Society in Kuwait. The magazine had published an article in its latest issue assailing an Arab state. [Text]  
[GF170610 Doha QNA in Arabic 2020 GMT 16 Nov 81]

CSO: 4404/127



LEBANON

BRIEFS

SAUDI, QATARI FINANCIAL AID--The Bank of Lebanon announced today that \$76 million<sup>11</sup> and \$13 million have been transferred to the Lebanese Government from the Saudi Arabian Kingdom and Qatar respectively under the Arab aid program approved by the 1979 Tunis summit conference. [NC262249 Beirut Domestic Service in Arabic 1630 GMT 26 Nov 81]

CSO: 4404/127

## ENERGY CONSUMPTION, PRODUCTION OUTLOOKS REVIEWED

Paris EUROPE OUTREMER in French No 617, Jun 81 pp 23-25

[Article: "Morocco Covered Only 17 Percent of Its Energy Needs in 1980"]

[Text] Growing only 0.8 percent as against 8.4 percent in 1979, energy consumption increased very little in 1980, totaling 4.681 million tons of oil-equivalent (TEP). This result is explained by an increase in sales of dark products and a contraction of sales of light products, which have doubtlessly undergone sharp price rises.

The country's primary-energy needs have been met 83-percent by petroleum products, 8 percent by coal, 8-percent also by hydroelectricity, and finally, 1-percent by natural gas. The national resources, estimated at 804,000 TEP, as against 817,000 in 1979, covered only 17 percent of the total, instead of 18 percent, mainly as the result of a drop in the contribution of electricity of hydraulic origin. The energy deficit, estimated at 3.877 million TEP, therefore increased by 49,000 TEP, and the rate of energy dependence on foreign sources was 83 percent.

## Hydrocarbons

Since the rise in the cost of crude oil was a heavy burden on the Compensation Fund, the authorities have been led to raise the prices of the hydrocarbons and electricity sharply, but without entirely matching the increase in importation costs. Furthermore, they have gone on with the campaign on energy-saving, they have continued the effort to develop local resources, notably by installation of hydroelectric facilities, and they have intensified the prospecting for oil, while at the same time activating research on other forms of energy and developing the processes for mining the bituminous schists.

Total consumption of refined products, evaluated at 3.871 million tons as against 3.823 million, excluding bitumens and lubricants, increased only 1.2 percent, as against 12.3 percent last year. In effect, while there was a 4.6-percent rise in sales of fuel oil, to meet the needs of the thermal power plants, consumption of motor fuels dropped sharply as a result of the heavy increases in retail prices; thus, deliveries of super gasoline, regular gasoline and gas-oil dropped, respectively, by 7.8 percent, 4.4 percent and 2.3 percent. Finally, use of liquefied gases continued to develop, but at a rate of 3 percent, far lower than the 13 percent noted during the preceding 2 years. Refining of petroleum products was done by SAMIR [Moroccan-Italian Refining Corporation] and the Moroccan Petroleum Company. The former processed 3.3 million tons and the latter, 920,000 tons; together, they delivered 4.06 million tons.

In the face of these needs, national production of hydrocarbons was only 13,000 tons of oil, as against 18,600 tons, and a volume of gas of 67.4 million m<sup>3</sup>, as against 75.4 million. Its proportion in national resources thus dropped from 9 percent to less than 8 percent, and it covered only 1 percent of total consumption. At the same time, purchases of oil--9/10 of them from the Gulf region and the rest from the USSR--totaled only 4 million tons as against 4.5 million, for a drop of nearly 12 percent, contrasting with the 55-percent increase registered last year, during which a big expansion of refining capacities had been carried out.

However, purchases of crude and refined products came, in Customs terms, to 3,625.8 million dirhams, thus growing by nearly 46 percent: the result of the big price increases in 1979, further boosts in 1979, and to a lesser degree, the firming-up of the dollar.

So as not to bear the entire brunt of the oil-price increases, the public authorities raised, on 8 January and 24 June, the consumer prices for petroleum products. For the first time, though, these increases were differentiated by product. Thus, after the second readjustment, super gasoline was increased by 28 percent and fuel oil by 62.6 percent; but the price of the latter product is still only half that of gasoline.

Prospecting was also intensified, under the supervision of the Office of Mining Exploration and Participations, either alone or in association with foreign partners. Under this heading, drilling campaigns were continued in the Gharb and in the Essaouira region, where the geological structures seem promising; they have already led to discovery of natural-gas reserves estimated at 5 billion m<sup>3</sup>.

### Electricity

According to data that are still provisional, consumption of electricity, at 4.4 billion kilowatthours, increased by 9 percent, a rate close to that of last year. Net production--still 90-percent provided for by the National Electricity Office--rose, after deduction of distribution-network losses, from 4.558 billion kilowatthours to 4.953 billion, 70 percent of it furnished by the thermal power plants. The share for the hydroelectric power stations fell, representing only 30 percent of total supplies as against one-third in 1979.

Furthermore, the electricity rates, which had been unchanged since 1976, were boosted sharply on 1 September because of the jump in production costs. In addition, it was decided to develop the use of local coal in the thermal power plants. For this purpose, the Casablanca plan was changed over, and the Mohammedia power plant, whose four sets total 600 megawatts (MW), will also use coal. Likewise, the equipping of the hydroelectric installations was continued. In this area, the year was marked by the placing in service of the Oued El Makhazine and Idriss I installations, with power of 34 MW and 40 MW, respectively, and the startup, in May, of the first 126-MW set of the El Massira dam. At the end of 1980, the installed power of the installations in operation totaled 604 MW for the hydraulic power plants and 634 MW for the thermal units, to which is added the 163 MW of power of the small plants.

In order to strengthen the production potential, important projects involving the Matmata gallery for diversion of Oued Sebou and the M'Jaara dam on the Upper Ouargha

are continuing. In addition, the studies relating to the first section of the Tim-hadit power plant, which will use the bituminous schists, have been completed.

## Coal

The anthracite production of the Jerada mines dropped again in 1980; at 680,000 tons, as against 710,000 tons, it thus dropped by 4.2 percent, as against 1.4 percent in 1979.

On the other hand, sales were up by 6.9 percent, reaching 719,400 tons as against 673,000 tons a year earlier. This development is related to a new expansion--on the order of one-fourth--of exports, which went from 70,200 tons to 89,500 tons, and even more, to an increase in deliveries to the local market, including more than 90 percent to the ONE [National Electricity Office] for the needs of the thermal power plants. Although the Jerada power plant, installed near the mine, used only 495,000 tons, because of technical difficulties, as against 526,000 tons a year earlier, the Casablanca unit, converted to coal during the year, used 52,000 tons of coal.

Furthermore, 28,600 tons of soft coal and coke was imported, going mainly to the industrial sector.

In order to cope with the foreseeable expansion of demand, coming not only from the ONE but also from other big consumers of energy, such as the cement plants and the sugar refineries, the coal mines continued with the equipping of coal-workings No 5 and undertook exploration work so as to determine the deposit's reserves.

In order to reduce the country's energy dependence and limit the expenses of oil importation, the public authorities are striving to develop the other energy sources.

In addition to the development of the bituminous schists, which could serve to produce not only electricity but also oil and gas, uranium has been explored for, mainly in the zones of the Upper Moulouya and the western Upper Atlas. Likewise, tests on extraction of it by means of phosphoric acid have been carried out. This research is nurturing the long-term hope of placing a nuclear power plant in service. Finally, even though its contribution is presently limited, solar energy is being used to operate many small-sized installations, and use of it could be extended to other applications encompassing the domestic, agricultural and industrial sectors.

11267

CSO: 4519/26

BRIEFS

WARNING AGAINST EUROPEAN SINAI FORCE--A responsible source at the PDRY Foreign Ministry stated today that the decision of the governments of Britain, France, Italy and the Netherlands to participate in the multinational force scheduled to be established in the Sinai after the alleged Zionist withdrawal means support by these states for the treasonous Camp David accords which are rejected by the Arab states and the PLO. The source added that the PDRY Government warns of the gravity of this decision which has not contributed at all toward finding a comprehensive and just solution to the Middle East crisis. The source declared Democratic Yemen's rejection of that decision. The source added that an official note was handed today to the Italian ambassador and the charges d'affaires in Aden of the embassies of France and Britain on Democratic Yemen's stand toward their governments' decision. The extent of the damage that their governments' decision will cause to the West European-Arab relations was also explained to the three West European diplomats. [Text] [EA261726 Aden Domestic Service in Arabic 1230 GMT 26 Nov 81]

CSO: 4404/129



SAUDI UN DELEGATE DENIES STATEMENT TO 'NEW YORK TIMES'

PM201715 Jidda 'UKAZ in Arabic 18 Nov 81 p 1

[Report by Mustafa Idris: "Al-Laqqani Tells 'UKAZ by Telephone: 'NEW YORK TIMES Distorted my Statement; Saudi Plans Needs No Further Explanations'"]

[Text] Jidda--In a telephone conversation with 'UKAZ, Saudi UN delegate Ja'far al-Laqqani, denied the statement attributed to him by the NEW YORK TIMES the day before yesterday. The paper quoted the Saudi official as saying that the Saudi plan recognizes Israel.

He said that the paper distorted the statement he made to its reporter, whom he met at the UN entrance. Al-Laqqani said that the newspaper's reporter asked him whether the Saudi plan, in its seventh point concerning peaceful coexistence between all peoples of the area, implied recognition of Israel. He replied that he had nothing to add to what Saudi officials have already said. When the reporter repeated his question to the Saudi delegate, as to whether this clause includes Israel, he replied: The Saudi peace plan contains eight steps, and if these lead to peace then this would become possible. This clause [on peaceful coexistence] should not be taken separately but must be part of the plan as a whole, including the establishment of a Palestinian state with Jerusalem as its capital. If all the plans' points are fulfilled and Israel recognizes the PLO, then the implementation of the various stages of the plan would lead to the peaceful coexistence of the peoples of the area. You cannot take one segment of the plan and interpret it the way you see it.

Al-Laqqani said: This was the gist of my statement to the NEW YORK TIMES correspondent, but on the following day I was surprised by a headline saying that the Saudi UN delegate says the plan recognizes Israel.

Speaking about the reaction to the Saudi peace plan in political circles, Al-Laqqani said that all the political circles believe that the plan will succeed and will be implemented within a short time in view of its seriousness and the favorable reactions to it.

CSO: 4404/129

DOMESTIC PRESS COMMENTS ON RECENT EVENTS IN REGION

American Relations With Egypt

Jiddah AL-MADINAH in Arabic 15 Oct 81 p 11

/Article by Muhammad 'Ali al-Jifri/

/Text/ As a child, Ahmad Shawqi, later the prince of poets, was afflicted with a nervous twitch in the eye and always used to look up at the sky. Once his grandmother took him to the khedive who was ruling Egypt at the time; when the khedive saw what he was suffering from, he took a collection of gold pounds and cast them on the ground before the child. The child proceeded to lower his gaze to the ground and play with the coins, and the khedive told Shawqi's grandmother, "Do this with him to get him to fix his gaze on the ground." She said, "But this drug only comes from your pharmacy, my lord." He stated, "Whenever you need it bring him to me; I am going to be the last person spreading gold around Egypt."

This prophecy unfortunately has been correct--up to this day.

We want Egypt to remain solidly in Arab ranks so that they will be able to realize victories like those of Hittin, 'Ayn Jalut and the fortifications of Bar-Lev. While the Arabs have lost the Egypt of al-Sadat, they most certainly want to win the Egypt of Mubarak. However, the glee at gaining revenge that a group of Arabs has shown over the murder of President al-Sadat (may God have mercy on him) will not help to win Egypt back, no matter how many gold pounds they scatter about. Since this is the situation, it will make even al-Sadat's opponents feel sympathy for him when dead, even though they hated him when alive; as for al-Sadat's successors, their delight over his suffering has made them feel more strongly that he died as a martyr and that a martyr is only so when he is right, while if a criminal receives his punishment he remains a criminal. Whatever the case, delight over suffering is unworthy of honorable people: "Remember the good qualities of those of you who have died."

So far, what is clear for certain is that al-Sadat's policy of curbing the religious current is what caused his death, not his policy on Camp David; Egyptians are strongly religious and deeply devout, so a violent confrontation with this way of thinking makes Egyptians more adamant and viciously hostile. It is to be noted that the observance of prayer among Egyptian communities is more apparent than in other expatriate groups. Therefore, the inauguration of the Mubarak era with the

dismissal of 18 officers from the armed forces because of their religious beliefs, which raises questions, is conduct that in any case cannot be compared with that to which the late president resorted when he put many people who held religious beliefs in prison and stated that he had erred when he opened the prisons and released the Moslem Brothers who had been imprisoned in the days of President 'Abd-al-Nasir; that was something that many people found repugnant, among Arabs and Western media alike.

In spite of the terrible economic straits that are grinding Egypt down in these lean years, the Arabs must not wait for Mubarak to change Egypt's policy in the next 6 months at least, even if they hint at reviving the economic situation in Egypt /in exchange/. The reason for that is that one can draw back from al-Sadat's line at the present time only through radical changes such as a declaration of war on Israel by Egypt. The Camp David policy has almost been consummated, except for an important part regarding Egypt, the restoration of the rest of Sinai. The declaration of a state of emergency is close to being reasonable, since the country needs security and stability in these circumstances, right after its need for food.

Mubarak has declared that he will not utter a word in defamation against Col al-Qadhafi, which shows a sense of responsibility for which one must be thankful. He has declared that the Arabs must take the initiative of effecting a reconciliation, because they were the ones who broke off relations with Egypt and it is distressing to Arab citizens that the Arabs should have relations with the United States and the Soviet Union but not with Egypt. Herein lies the shrewd Israeli ruse which the Arabs ignored and al-Sadat's Egypt ignored, the ruse that caused Begin to insist on attending al-Sadat's funeral in his odious person, in order to inhibit the Arabs from clearing the air with Egypt. Letting Egypt slip into the Western net means that Husni Mubarak's pharmacy will be filled with American drugs, making Egypt hostage to the science of the United States, just as some Arab regimes have become hostage to the science of the Soviet Union. Each of them is an enemy, and the third is Begin.

#### Latest News From Egypt

Jiddah AL-MADINAH in Arabic 19 Oct 81 p 19

/Article by Dr Muhammad 'Ali al-Barr/

/Text/ It appears that the assassination of President al-Sadat entails many consequences on the road toward peace in the Middle East. It has perhaps resulted in impeding the Camp David agreement, in accordance with which Israel is to withdraw from the final third of Sinai, where it has established many settlements, in April 1982.

In his meetings with the late president, Begin was anxious to stress the views that the opposition line in Egypt, especially the Islamic current was threatening the course of peace and normalization and that Israel could not withdraw unless this opposition was stifled.

In fact, the late president did carry out his recent measures against the Egyptian opposition, especially its Islamic current which constitutes a sort of danger to the Camp David agreement and he started to take hold of young people in the universities in particular.

When he carried out this campaign, "to satisfy his friends Begin and America," President al-Sadat was surprised to see the Western media launch a harsh attack on him, accusing him of being dictatorial and compelling him to expel an American television correspondent and confiscate his films, expel the correspondent of the broad-circulation French newspaper LE MONDE, and expel another group of Western newspaper and magazine correspondents.

Al-Sadat insisted on not giving his inveterate friend Begin an excuse to delay his withdrawal from Sinai; it is no secret that al-Sadat hated Begin because he had acted contemptuously with him a number of times, but was compelled to turn a deaf ear for the sake of obtaining the withdrawal from Sinai.

Al-Sadat's extreme concern not to give Begin any excuses not to withdraw, on the pretext that there was no stability, was one of the reasons why Begin intensified his demands and swindled al-Sadat to the utmost. This is what prompted Professor Kerr, a specialist in Middle East affairs at the American University, to state, in an interview he gave that AL-MAJALLAH published on 3 October 1981 (that is, a few days before al-Sadat's death): "Al-Sadat's problem with Israel resembles the problem of a man who orders some goods from a shop, then goes to the shop and pays for his goods every day before receiving them. It is unfair exploitation by Begin of al-Sadat's embarrassing situation."

Suddenly, in the middle of the military parade, an armed group stopped in front of the president's stand, showered a hail of bullets on him and cut him down in a military operation with a high level of precision, thus taking by surprise al-Sadat's special guard which had received a high level of training in the United States, killing along with the president his special adjutant (the chief of the special guard), two guards and three American officers who were rumored also to be among al-Sadat's guards.

A number of fronts laid claim to this assassination act, among the most prominent of them being that of Lt Gen al-Shadhili, commander of the October 1973 war, whom al-Sadat exiled and who is leading the opposition abroad.

However, the international media ignored and laughed at all these claims, charging that they were lies and accusing extremist Islamic elements whom al-Sadat had previously put in prison a month before the assassination. It is worth pointing out that the Islamic groups did not claim credit for this incident at all, but they were of course not given a chance to express their view.

It happened, on 'Id al-Adha, that the Egyptian authorities prohibited the holiday prayer in Asyut, carrying out the emergency law, the people at prayer skirmished with the police, and fighting took place in which a number of people were killed or wounded. The Western media talked about the occurrence of broad disturbances.



It appears that the news agencies will be increasingly raining news of disturbances and instability in Egypt upon us as of now, and this is precisely what Begin wants, in order to be able to say that Egypt is suffering from instability and that he cannot withdraw from Egypt as a result. The Israeli newspaper JERUSALEM POST has published material supporting this approach, stating, "Israeli withdrawal from Sinai may be endangered unless there are sure guarantees that Egypt will continue along al-Sadat's path." Begin himself stated on his return from President al-Sadat's funeral that the situation in Egypt was serious, then, in order to reassure the Egyptian leaders a little went on to say that he had confidence in the new leadership.

Yitzhak Shamir, the Israeli foreign minister, declared that Israel's final withdrawal from Sinai would be contingent on the course of events, in an obvious reference to the possibility that Israel might not withdraw. The Israeli chief of staff, Rafael Eytan, said that the death of the Egyptian president had compelled Israel to prepare itself for every eventuality. It is worth pointing out that Eytan stated shortly before President al-Sadat's death that Israel's relations with Egypt depended entirely on al-Sadat's continuation in power and that al-Sadat's departure would block the road to peace. That angered al-Sadat at the time and caused him to cancel the Israeli chief of staff's visit to Egypt.

The Israeli woman deputy Geula Cohen declared "The peace process depends on one person, whose fate depends on one bullet."

The news agencies published the report that Jewish settlements in Sinai danced for joy when they heard the news of al-Sadat's assassination, because that in their view meant they "would not have to withdraw from Sinai." That was at a time when they sent a delegation of their people to take part in mourning the death of President al-Sadat.

AL-SHARQ AL-AWSAT, on 10 October 1981, published a special letter from the OBSERVER service in Cairo providing a political analysis under the title "Will Israel return the last third of Sinai?" That stated that the Egyptian government's main concern was that the Israelis would try to delay returning the last segment of occupied Sinai, which was supposed to revert to Egypt next April, on the excuse that Egypt was not sufficiently stable and that that would make dealing with it difficult.

It appears that the Western countries have had more than one doubt about Egypt's domestic situation and stability. This is what the Western media have written, and it is also what prompted the Australian deputy foreign minister, Mr Doug Anthony, to make the statement that his country had many reservations on the subject of its participation in the peacekeeping force which would replace the Israeli forces following their final withdrawal from Sinai, because he had doubts about Egypt's stability and consequently about Israel's withdrawal.

The American magazine NEWSWEEK published an editorial stating "To be faithful to the contents of the Camp David agreements will require new negotiations behind the scenes on the toughest parts of the agreement." The magazine wondered if Israel's withdrawal from the remaining part of Sinai could take place when April 1982 came around.



The British DAILY TELEGRAPH also published an article stating that the Western governments were expressing their anxiety and fear that the assassination of President al-Sadat would endanger the Camp David peace and deal a finishing blow to the European initiative to settle the Middle East crisis. Western observers believe that the new Egyptian leadership will need to get close to the Arab regimes and they believe that if that happens there will be great doubts about Israel's readiness to withdraw from the rest of Sinai and hand it over to Egypt at a specific time, which is next April.

What is noteworthy is the reports published in the Tunisian papers on efforts to invite Egypt to the next Arab summit.

While Begin could not get out of the peace agreement he made with al-Sadat at Camp David, by which the separate peace was made with Egypt, as long as Egypt was isolated from the rest of the Arab world and the issues of Jerusalem, Golan, and the West Bank were kept out of the heart of the agreement--while Begin could not get out of this agreement as long as conditions were stable, especially when al-Sadat was present, the way for him to renege on his agreement to withdraw from Sinai would open only through al-Sadat's departure and the creation of a state of instability in which the withdrawal stipulated for next April would be impossible. This was underlined by what Professor Kerr, the specialist on Middle East affairs, said in his interview published by AL-MAJALLAH on 3 October 1981, that is, a few days before the assassination of al-Sadat: "If we want to preserve Sadatism it would be well for us to relinquish al-Sadat." It appears that al-Sadat has actually been relinquished, in a dramatic, extremely harsh manner.

A short time before al-Sadat's death the French magazine AFIQUE-ASIE published a report whose contents were attributed to diplomatic sources in Washington, stating "The Americans will spare no effort to guarantee that Husni Mubarak takes President al-Sadat's place, and Washington has become convinced that President al-Sadat is no longer able to control the domestic situation in Egypt and that he is no longer able to reach certain specific goals of a new American strategy in the Middle East."

The French magazine went on to say that the American leaders had come to view al-Sadat as a burden around their necks, now that he had lost his cards on the regional and international levels, and it appeared that this burden had been eliminated by the most accurate and precise means of execution.

The magazine NEW STATESMAN wrote that officials in Washington considered the Egyptian administration, under al-Sadat's leadership, to be heavily burdened and inefficient and that it was clearly not suited to the new American policy in the region.

It appears that President al-Sadat was eliminated after he had become totally worn out and was no longer of use to the new American policy but indeed had come to constitute a heavy burden on it.

Before his death, President al-Sadat was going through a state of frustration and despair with his friends, for whom he had done everything. He saw them snubbing him covertly; the news agencies wrote that al-Sadat was experiencing a state of

anxiety over America, a state that afflicts any political leader who puts all his cards in the basket of American policy (see AL-SHARQ AL-AWSAT, 12 October 1981).

Political analysts say that Begin is the main beneficiary of the murder of his determined friend Anwar al-Sadat, since that has created a state of instability in Egypt which the clever, deceitful politician will use as an excuse to avoid withdrawing from the rest of Sinai territory. It is also expected that the attack on extremist Islamic elements will intensify on grounds that they are the direct cause of al-Sadat's murder.

Begin, as a result of this situation, can impose humiliating new conditions for the anticipated withdrawal which he could get out of at any instant.

Thus it seems that al-Sadat's policy has not led to what he had hoped for in the way of Israel's withdrawal, the attainment of peace, and improvement of the bad economic situation in Egypt--indeed, contrary to all that, this policy has led to the killing of al-Sadat himself and the continued presence of the Jewish occupiers on the bank, Golan and Jerusalem, perhaps even in Sinai itself.

Will the Arabs gain understanding from al-Sadat's lesson, now that the lesson of the Shah has passed by?

#### Outlook for Next Summit

Jiddah AL-MADINAH in Arabic 24 Oct 81 p 2

#### /Article/

/Text/ The Arab countries' agreement that the next Arab summit conference should be held on schedule in the city of Fez a month from now is a frank admission on the part of the Arab countries, especially the leading ones, that strong reasons dictate that haste be made in holding such a conference as soon as possible and in producing collective conceptions of all the problems at issue.

It is not strange that the Kingdom of Saudi Arabia should be among the first Arab countries to agree that the conference be held on schedule. The kingdom--which is now leading the Arab movement along the road toward a just, comprehensive settlement to the Arab cause, is exerting every effort to clear the Arab air and is stressing its commitment to resolutions of Arab unanimity--realizes that present Arab circumstances demand that one sit down with others at the table of discussion and mutual understanding and adopt every decision which will strengthen and bolster Arab solidarity.

The next summit faces positive and negative aspects. Among the positive aspects is the kingdom's peace plan, which has received international support and appreciation; among the negative aspects are the disputes among brothers, the change in Egypt, and the explosive situation in Lebanon and the Maghreb. Naturally the positive aspects will enjoy unanimity, but the negatives will be given the attention of wise persons who will demand that they be limited and that solutions be created which will

guarantee that they are transformed into positives. This is what we are hoping for and aspiring to from the next summit.

#### Fahd's Wisdom and the Actual State of the Problem

The day before yesterday His Royal Highness Prince Fahd ibn 'Abd-al-'Aziz, the crown prince and deputy minister, was the first speaker before the International Conference on Cooperation and Development in Cancun.

The rulers and leaders of 22 industrial and developing countries listened to Fahd as he addressed the entire international community in the language of civilization, the language of logic, the language of wisdom and comprehension of the dangers that are surrounding this world.

Fahd said, "The international status of the participating countries, and the ability of the people taking part in this conference, will make it possible to realize one's hopes." His highness undoubtedly meant that the countries taking part in the Cancun conference, in particular the industrial ones, could realize the hopes and aspirations the developing countries are aiming toward if they could cope with the problems set before them in a spirit of responsibility and awareness of the disasters and dangers that could await the entire international community if the major industrial countries do not devote greater attention to issues of development in the third world. His highness referred clearly to this point when he said "In this conference we are facing the issue of development throughout the world, and that is a subject that demands that we concentrate attention on the practical aspects, which can transform the viewpoints that now exist among the various parties into a deep realization that development and stability can be attained only through a true cooperation based on common interests."

Through this perception Saudi conception, his highness the crown prince and deputy prime minister specified the grave effects that might arise through a lack of interest in the countries of the third world on the part of the advanced countries. His highness also directed attention to the fact that this grave issue must be dealt with in a proper manner, in demanding that attention be focussed on practical aspects in order to prevent the outbreak of dangerous clashes among the viewpoints that exist now if the existence of two camps does not disappear--one the camp of the rich industrial countries and the other the camp of the developing countries or the countries of the third world. The grave effects of the mere outbreak of such clashes of views will consequently be reflected on development programs not just in the third world but also in all areas of the world, without exception.

Through a perceptive, aware, cognizant vision and full grasp of all the dimensions of the current and future stages, his highness considered that joint action on the part of all in the desire to eliminate the great discrepancy that now exists in levels of development is absolutely necessary and his highness also considered that any serious action to this end is to be considered a vital, essential goal that deserves to receive maximum priority from everyone.

Fahd considered that unless reasonable rates of growth are achieved in the developing countries, it will be difficult for the major countries themselves to continue to achieve reasonable rates for their own peoples.

Following this objective linkage, in which his highness specified the interests of the world, he then gave a living example of the truth of this theory in the accomplishments of the Kingdom of Saudi Arabia, which is not an industrial country but a developing one and at the same time has become a major aid-providing country to the developing countries; on this point, his highness said:

"The Kingdom of Saudi Arabia, as a member of the international community, has striven for cooperation with the countries of the world, proceeding thereby from its deep feeling that the goals of national development can be realized only in a context of mutual international cooperation. Therefore, it is taking part in this conference and has a clear notion that international cooperation for the sake of development is not the demand of a specific group at the expense of another group but is meant to achieve the mutual interests of all; the Kingdom of Saudi Arabia will, in the future as in the past, be prepared to cooperate in any international effort that is made to achieve these goals."

Thus, through this clear comprehensive statement, his highness the crown prince and deputy minister has defined the steps that the industrial countries and the developing ones must carry out in the future to realize further welfare and prosperity.

#### American Attitudes on Egypt

Jiddah AL-MADINAH in Arabic 25 Oct 81 p 2

/Article by 'Adnan Kamil/

/Text/ What the new president of Egypt, Mr Husni Mubarak, will do is not important now--rather, the important thing is what America will do, now that President Anwar al-Sadat has been assassinated in dramatic fashion before the television cameramen's lenses and hundreds of millions of witnesses in various areas of the world.

Husni Mubarak is condemned by the legacy he has been given. He is unable to offer concessions to his adversaries domestically or abroad because such concessions could in the context of current pressures be interpreted as a sign of weakness on his part and an encouragement of the opposition to demand more, perhaps Husni Mubarak's chair itself. He is also unable to realize any noticeable progress in his talks with the Israelis, because he cannot offer them more than al-Sadat did and because all Egypt's cards are in America's hands, as a result of the Sadatist hope that America would act in the way its former president had indicated it would, would act with him on behalf of the Palestinian cause. Thus Husni Mubarak finds that he is condemned by his circumstances and that he has no real power over them. The American position remains the important one. So far, American reactions have been somewhat odd. Al-Sadat was killed in a conspiracy in which the Soviet Union was said not to have a hand. In spite of that, American air and naval forces went into action in a muscle-flexing operation without precedent in the region, blanketing Egyptian territory with a dense cover of American military power. We would be very naive if we believed that America was trying to protect Egypt from Libya, because Libya does not have the military force or manpower to challenge the Egyptian army. What, or who, is the target of the American military display? One should



bear in mind that this military display does not politically serve the new president, Husni Mubarak, and that at the same time it strikingly inflates the powers of Col Mu'ammarr al-Qadhdhafi, and the number of "fugitives" in the form of former American agents in American Central Intelligence who are working with him are starting to multiply in a provocative manner.

I believe that the statement that America, through its intelligence agencies, carried out the process of al-Sadat's assassination is exaggerated--a rumor which gladdens Russian intelligence agencies, if they are not the source of it. The gains that America is realizing through al-Sadat's dramatic death are much less than the moral and material loss in the short and long term that American interests in various areas of the world are afflicted with. However, it will be difficult in any case for the truth to come out in this sort of matter, even as regards the direct investigators, who might identify the direct perpetrators but will never find the thread that connects them to the hidden planner and mover.

The death of al-Sadat is another of the "electric shocks" whose occurrence was relished and greatly harmed America. It was not just al-Sadat alone but also American prestige and influence as well that was assassinated in Egypt. American military influence was not what was being tested in Egypt--rather, it was America's power to stand alongside its friends and the people who were banking on it. Al-Sadat had shut all the doors before him except the American one and believed that all the cards in the Middle East were in Washington's hands; the result was that Washington failed to live up even to the humble promise it gave him of stopping the Israeli settlements in the West Bank, and that led to his dramatic end. While America was not able to justify to al-Sadat why he had bet on it, will it be able to offer Husni Mubarak the justifications that would cause him to deal with it in confidence over his political future and his life?

The first American reaction was a military response. Unless America has information we are ignorant of, that response was exaggerated. If the response was an expression of American anger toward the Soviet Union for disrupting the stability in the area, American calculations were wrong, because the Russians do nothing except exploit American mistakes and reap the fruit that Israel has sown in the region, and they will continue to do so that as long as America and Israel continue to provide them with an appropriate atmosphere to do so.

The Middle East region rejects Communism but Russian influence infiltrates through the slogans of the left, socialism, and revolutionary action. It will be difficult to fight slogans of this kind as long as America fails to deal with the region on a basis of mutuality of interests and benefits and respect for others.

11887

CSO: 4404/102



SAUDI NEWSPAPERS DENOUNCE IRANIAN REGIME

LD221516 Riyadh SPA in English 1204 GMT 22 Nov 81

[Press review]

[Excerpt] Riyadh, 22 Nov (SPA)--AL-MEDINAH and 'UKAZ newspapers denounced the Iranian regime's heaps of charges and allegations against the kingdom and its peace plan, emanating from their ignorance and jealousies.

AL-MEDINAH described the campaigns of the ignorant Khomeyni regime as similar to those of the Zionist leaders' propaganda to insult the generous country of Saudi Arabia and its noble people.

"Khomeyni and his hypocritic gang of murderers are copying the Jewish rotten thought and hostile campaigns against the kingdom and its leaders," the paper added.

"The kingdom's peace plan supported by Yasir 'Arafat and the leaders and people of occupied Arab lands can be the only basis for realizing the Palestinian peoples aspirations and not the Khomeyni gang's ignorant ideas coming out of their suspicious relations with Israel," AL-MEDINAH said.

'UKAZ described Khomeyni and his gang as "anti-Islam." "The provocations of the Khomeyni regime against the kingdom, its peace plan and Mr Yasir 'Arafat are providing proof of the Iranian leaders foolish and irrational approach," the paper said.

The paper observed the Iranian people, who aspired to establish an Islamic rule in Iran, are now faced with bloodthirsty men, professional murderers, anti-peace and anti-Islam Khomeyni regime.

CSO: 4400/66

ARAB AIDES CITED ON FOREIGN MINISTERS MEETING

PM260845 London AL-SHARQ AL-AWSAT in Arabic 25 Nov 81 p 1

[Report by AL-SHARQ AL-AWSAT correspondent: "Sa'ud al-Faysal Says: 'Summit Will Either Accept, Alter, or Drop the Plan'"]

[Text] Fes--At the end of the final meeting of the Arab foreign ministers conference Saudi Foreign Minister Amir Sa'ud al-Faysal said to AL-SHARQ AL-AWSAT: The Saudi principles are now to be put before the Arab summit for consideration. If the summit finds them suitable they will be accepted and endorsed; if they are found incomplete they will be completed. But if the Arab kings and heads of state find that we need another alternative then it means that the plan will be dropped.

Asked about the European countries' attitude if the plan is amended, he said: We are not now concerned with evaluating the position of any other state. In fact what we are seeking and trying to achieve is a common Arab stand whether with regard to this plan or any other proposed plans.

Sudanese Foreign Minister Muhammad al-Mirghani said: We are with the Saudi initiative and support it as a whole.

Omani Foreign Ministry Under Secretary Yusuf al-Alawi said: Our stand is clear from the beginning. We are not with the hardline faction, nor do we want more than a moderate and balanced political line that will enable us to serve the Arab nation. In this regard we are prepared to work day and night in order to achieve this objective.

Kuwaiti Foreign Minister Shaykh Sabah al-Ahmad said: I will not say that the conference was 100 percent successful but it was one of the best conferences held so far. Discussions at the conference were quite objective, which enabled us to reach many positive results with which I am satisfied.

[PLO Political Department Chief] Faruq Qaddumi said: The problem is that we cannot recognize Israel. This is the central point of our discussion and debate at the conference.

Jordanian Foreign Minister Marwan al-Qasim said: The discussions took place in a positive atmosphere and we hope to adopt resolutions that will satisfy all the Arab countries.

CSO: 4404/129

## SAUDI ARABIA

### BRIEFS

KING'S MESSAGE FROM AL-ASAD--Riyadh, 23 Nov (SPA)--Today REUTER Arabic Service attributed a report to SPA to the effect that His Majesty King Khalid ibn 'Abd al-'Aziz received a message from Syrian President Hafiz al-Asad opposing the Saudi peace plan. SPA would like to categorically deny that it issued such a report. What SPA reported was that today his majesty received a verbal message from President al-Asad, when he received Mr Rif'at al-Asad commander of the Syrian Defense Corps. SPA never reported on the content of the message. [Text] [LD231900 Riyadh SPA in Arabic 1817 GMT 23 Nov 81]

AWACS RETURN TO U.S. DENIED--Prince Sultan ibn 'Abd al-'Aziz, minister of defense and aviation, has stressed that our relations with our brothers in Iraq are becoming stronger and are developing in the direction of the Arab nation's goals. In a statement to the evening paper AL-JAZIRAH yesterday, Prince Sultan said that our relations with our brothers in the YAR are special. They are based on a common ideology, neighborliness, a common destiny and aspirations, and hope for a better future for the two countries that is characterized by peace, stability, security, prosperity and noninterference in the internal affairs of any country. Asked about the return of two of the four AWACS planes currently in Saudi Arabia, Prince Sultan said that this is not true. He declared: The U.S. Government has denied this. In conclusion Prince Sultan ibn 'Abd al-'Aziz said: As everyone knows, Saudi Arabia has throughout its history adopted honorable, independent and clear stands and seeks only to serve Arab and Muslim causes with all its resources and capabilities. This annoys our enemies very much. It also explains the repeated attempts to slander and harm this country and its noble people. Prince Sultan added: We shall continue to do all that can serve the goals of the Arab and Muslim nation. We shall never deviate from this policy and shall ignore all the doubting Thomases. [Text] [GF221911 Riyadh Domestic Television Service in Arabic 1800 GMT 22 Nov 81]

SOVIET ARMS VIA SAUDI ARABIA--Soviet arms are being unloaded at a Saudi port and from there shipped to Iraq. This was stated by the director of military intelligence, Maj Gen Yehoshu'a Sagi, in a briefing to the members of the Knesset delegation which yesterday launched its information campaign against the Saudi settlement plan. [Gid'on Samet]. [Excerpt] [TA121129 Tel Aviv HA'ARETZ in Hebrew 12 Nov 81 pp 1, 2]

CSO: 4423/42

## ELECTION RESULTS ASSESSED; OPPOSITION CLAIMS FRAUD

London 8 DAYS in English No 45, 14 Nov 81 pp 18-19

[Text] THE TUNISIAN legislative elections on 1 November, the first under a multiparty system since independence in 1956, resulted in a landslide victory for President Habib Bourguiba's Parti Socialiste Destourien (PSD). While few observers expected the PSD's long hegemony over the country's political affairs to be seriously threatened, nevertheless the news that the PSD has won all the 136 seats in the new National Assembly and captured 94.6 per cent of the vote surprised many.

In addition to the PSD, three other political groupings participated in the elections: the Mouvement des Democraties Sociales (MDS) led by Ahmed Mestiri; a dissident faction of the Mouvement d'Unité Populaire (MUP) under Mohammed Belhadj Ammor and Mohammed Harmel's Parti Communiste Tunisien (PCT).

The leading opposition forces took part in the hope that a rigid one-party state could be transformed into a multiparty democracy. Their leaders predicted that the three contending parties could expect to win between ten and fourteen seats in the new parliament.

This optimism proved to be shortlived, as in the last week of the election campaign several parties had to cancel meetings because of attacks by hooligans. The opposition claimed that gangs of unemployed youths were mobilised by local PSD barons to sabotage their electoral campaign. Nonetheless, non-PSD forces were for the first time given access to television and radio to voice their criticisms of government policies.

The electoral results, with the opposition capturing only 5.4 per cent of the vote, led to claims that government supporters rigged the ballot. Minister of the Interior Driss

Guiga replied that the opposition was trying to cover up its failure by unsubstantiated accusations of fraud.

Western journalists who visited polling stations in the suburbs of Tunis reported how government-appointed officials prevented opposition members from taking part in control commissions which were to supervise the voting. The MDS denounced what it called the 'electoral farce', claiming that 'the government did not even seek to cover up the fraud by furnishing credible electoral figures', adding that Tunisia 'deserved a better deal which could have made it an example for the rest of the Third World'.

Communist Party Secretary General Mohammed Harmel described the official results as 'ridiculous when compared to electoral reality'. The MUP faction contesting the elections largely echoed this view.

In the wake of the election, only the PCT will be recognised legally. The other parties required at least five per cent of the vote to qualify for official recognition. The Communist Party was exempted from this proviso, because according to President Bourguiba, in 1963 it had simply been suspended and therefore never ceased to exist in law. The MDS, the leading opposition vote catcher, polled 3.28 per cent.

The non-recognition of the MDS and MUP presents Prime Minister Mohammed Mzali with something of a political dilemma because it will leave a significant sector of the moderate opposition in the political wilderness. One of the goals of the legislative elections was to integrate the opposition into the political process, both electorally and in parliament, and defuse the tensions of the past few years.

It is not inconceivable however, that the

government may backtrack on the five per cent barrier in order to prevent MDS and MUP supporters from joining forces with the more radical semi-clandestine opposition groups. It is these underground political factions which would benefit most from the unexpected PDS landslide.

The MUP, headed by Ahmed Ben Salah, who is in exile, and the radical fundamentalist Mouvement de la Tendance Islamique (MTI), whose leaders Rachid Ghannouchi and Abdel Fateh Mourou were sentenced in September to long prison terms, claimed even before the elections that the ballot would be rigged and that participation under these conditions was only likely to reinforce the authoritarian nature of the regime.

The 134 newly elected deputies included 27 members of the trade union movement, Union Générale des Travailleurs Tunisiens (UGTT). Against the advice of UGTT Secretary General Taieb Baccouche, the UGTT joined forces with the PSD to form a national front. As a result Baccouche refused to stand as a candidate.

CSO: 4500/61



## INDUSTRIAL DECENTRALIZATION ENCOURAGED

London 8 DAYS in English No 45, 14 Nov 81 p 19

[Text]

TUNISIA'S next Five Year development plan (1982-1986) will have industrial decentralisation as one of its central features. A new law has recently been passed, aimed at encouraging Tunisian, as well as foreign, industrialists to set up activities in the country's neglected hinterland.

The concentration of economic activity in the Greater Tunis area and along the coast generally, has encouraged a rural exodus and exacerbated regional disparities. It is estimated that the Tunis area alone attracted some 100,000 people from the other provinces between 1975 and 1980. Young people, in particular, are thronging to the urban areas in search of work and better living standards.

The recent creation of the Agence pour le Développement Régional (ADR) was intended to promote a more balanced economic development profile in Tunisia. The government has introduced a revised investment code, to provide handsome incentives for the establishment of factories inland.

'The new investment law divides the country into five different areas, with material incentives rising in relation to the number of jobs created and the extent of decentralisation,' Moncef ben Abdallah, director of the Agence de Promotion Industrielle (API), told *8 Days*. He added: 'An investor who starts up a factory in an unfavoured region will benefit from substantial financial advantages, including longer tax holidays and greater government subsidies.'

In the Greater Tunis area and the towns of Sousse and Sfax, no special advantages are offered. The remaining coastal areas will continue to benefit from Law 74 of

August 1974. The investment zones in the interior will offer investors government-backed finance and a wide range of other economic 'perks'. Nonetheless, the plan to set up the \$18.5m Polyester Fibres of Tunisia (PFT) factory in Kairouan, 90km south of the capital, has yet to materialise.

The government's decision to accord high priority to economic decentralisation follows the publication of a special report on regional imbalances prepared by a study group of civil servants, university professors and others. The report found, for instance, that although the Greater Tunis area contains only 18 per cent of Tunisia's population, 30 per cent of the country's consumption expenditures take place there. Per capita spending in the capital is Tunisian dinars 260 (\$520) a year, compared with the rest of the country's TD147 (\$294).

The study group also found that this gap between Tunis and the rest of the country was growing: in 1966, per capita consumption in Tunis was 56 per cent greater than in the interior. It was 77 per cent greater in 1975 and over 80 per cent last year. The progress achieved in industrialisation mostly benefited the Tunis area. Almost 40 per cent of the new industrial employment created has been within a radius of 20km around the capital. The other coastal regions accounted for between 45-50 per cent of jobs created in the manufacturing sector.

Consequently, it is hardly surprising that the mountainous northern region, the sun-baked central plateau and the desolate Saharan provinces have been gradually drained of their young manpower. Tunis alone attracts 15,000-20,000 people a year from the interior, and more seek work abroad, especially in France.

The study group believes that Tunisia's growing manpower will not be absorbed through industrialisation alone. It recommends that more attention be directed towards improving living conditions in the rural areas and boosting producer prices so that young people can make a profit from working the land. The government has noted these findings and has established an organisation for rural areas similar to the API. Known as the Agence de Promotion des Investissements Agricoles, its task is to ease the flow of credit to the farming sector.

CSO: 4500/61

END

**END OF**

**FICHE**

**DATE FILMED**

9 Dec 1981